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Austria ... Sch22	Indonesia ... Rp3100	Philippines ... [illegible]
Bahrain ... Din0.650	Iran ... Rls160	Portugal ... Esc120
Belgium ... BFr48	Israel ... IS3.50	S.Arabia ... Rls7.00
Canada ... C$1.00	Italy ... L1700	Singapore ... S$4.10
Cyprus ... C£0.90	Japan ... Y500	Spain ... Pta145
Denmark ... DKr10.00	Jordan ... Fils500	Sri Lanka ... [illegible]
Egypt ... E£2.25	Kuwait ... Fils500	Sweden ... SKr9.00
Finland ... Fmk7.00	Lebanon ... £1250.00	Switz ... SFr2.30
France ... FFr7.00	Lux ... LFr48	Taiwan ... NT$65
Germany ... DM2.30	Malaysia ... Rin4.25	Thailand ... Bht50
Greece ... Dr120	Mexico ... Pe300	Tunisia ... Din0.800
Hong Kong ... HK$12	Morocco ... Dh6.00	Turkey ... L600
Iceland ... Ikr125	Neth ... Fl3.00	UAE ... Dh6.50
India ... Rup15	Norway ... Nkr10.00	USA ... $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,714 Thursday December 8 1988 D 8523 A

HONG KONG
Liberal efforts to soften China's law
Page 22

World News

Arafat gives explicit recognition to Israel

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, spelled out in the clearest terms his acceptance of Israel's right to exist. But he said that the uprising in the Israeli-occupied territories would continue until an independent Palestinian state was established. Page 6

France transit deal

Four moderate French unions accepted an offer from the Paris transit authority and called for an end to a strike that has snarled city transport for a week. The largest union, the Communist-led General Confederation of Labour, rejected the proposal. Censure vote, Page 2

Caucasus quake

An earthquake hit the Caucasus Mountain region of the Soviet Union, knocking out communications. Yerevan Radio said there were casualties near the Soviet-Turkish border but did not give details. Turkey's official radio reported four deaths.

Iran reconstruction

Iran's Parliament approved over $500m for rebuilding housing, businesses and facilities devastated by the eight-year Gulf war. Agreement with Germany, Page 3

Philippines arrests

A church-backed human rights group in the Philippines claimed that nearly 12,000 people were arrested for political reasons during President Corazon Aquino's first three years in office.

No Gulf deflagging

Mr Frank Carlucci, US Defence Secretary, said the Kuwaiti Government did not plan to remove US flags from 11 state-owned oil tankers before February.

Nato crashes

Nato air forces lost 128 combat and support aircraft worth over $1bn in accidents during the year to the end of October, Jane's Defence Weekly reported. The losses were equivalent to the entire combat strength of the Royal Norwegian Air Force.

Sudan convoy hit

Seven people with a truck convoy trying to reach starving civilians in government and rebel-controlled Sudanese towns died in rebel attacks, the most serious disruption since last month's agreement with the Sudan People's Liberation Army.

Swiss President

Switzerland's Parliament elected Economics Minister Jean-Pascal Delamuraz as President and made Justice Minister Elisabeth Kopp the country's first woman vice president.

Toxins adrift

The Dutch coast guard tried to locate nine containers with dangerous chemicals, adrift in the North Sea since last weekend. One container, lost in a storm by a French ferry, is filled with a substance which lethal to marine micro-organisms.

Uganda aircraft row

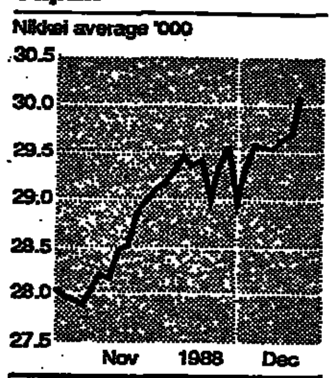
British authorities permitted Uganda Airlines to resume for eight weeks to London using an old and noisy Boeing 707 because the airline's only aircraft modified to reduce engine noise crashed last month.

Business Summary

Nikkei hits record high in furious final hour

JAPAN'S stock market soared to a record high, taking the Nikkei index above 30,000 for the first time in a surge of trading fuelled by the expiry

Japan



of stock index futures contracts. The Nikkei closed at 30,050.82, 381.44 points up on the day, climbing 223 points in the last hour. Page 23

HANSON, acquisitive UK conglomerate, unveiled full-year profits of £880m ($1.6bn) before tax – an increase of £139m over the previous year and at the upper end of the analysts' expectations. Page 23

BRITAIN plans to lower the threshold at which shareholders must declare their stakes in public companies from 5 to 3 per cent and the time limit for such declarations will be reduced from five to two days. Page 7

MITSUBISHI BANK, leading Japanese commercial bank, plans to buy Sectrend, US futures broker, to secure Sectrend's seats on the Chicago Mercantile Exchange and the Chicago Board of Trade. Page 29

SIEMENS, West German electronics and telecommunications group, has appointed Goetz Steinhardt as finance and administration director to succeed Henning Würdemann. Page 27

BTR, UK industrial group is paying $437.5m in cash for the measurement and flow control division of Rockwell International, US engineering and technology company. Page 23

DSM, Dutch state-owned chemicals company, will be privatised at the end of January in an international equity offering which is expected to raise around Fl1.3bn ($670m). It will be the biggest flotation in the history of the Amsterdam bourse. Page 26

ACCOR, French parent of the Novotel hotel group, has signed a joint venture agreement with Aeroflot, Soviet airline, to build a 500-bedroom hotel near Moscow's Sheremetevo airport. Page 3

WESTERN Mining, Australia's premier nickel producer, has paid A$120m ($105.9m) to take full control of the mothballed Agnew nickel mine in Western Australia. Page 26

SEAGRAM, leading distilled spirits and wines producers, lifted net income in the nine-month period on a sharp increase in sales. Page 24

NORTHERN Telecom, world's largest supplier of digital telecommunications systems, is to embark on a far-reaching restructuring programme affecting several plants in Canada and the US. Page 24

CELL TECHNOLOGY, US biotechnology company, has agreed an outline deal with China to turn a range of bacteria-based substances discovered by Chinese scientists into drugs to fight cancer and other diseases. Page 3

SEMICONDUCTOR producers in the EC will lose world market share to the US and Japan between now and 1993, according to a wide-ranging study of European industrial sectors. Page 2

Gorbachev plans sweeping unilateral arms reduction

By Quentin Peel in New York

SUBSTANTIAL unilateral cuts in Soviet troops, tanks, artillery and combat aircraft in Europe were announced yesterday by Mr Mikhail Gorbachev, the Soviet President, in a substantial public gesture to galvanise the process of conventional arms reduction.

A total of 500,000 Soviet troops, about 20 per cent of Soviet military forces, would be withdrawn along with 10,000 tanks, the area of greatest imbalance between the Warsaw Pact and Nato forces.

Mr Gorbachev's gesture already appears to have caused the resignation of one of his key military advisers, Marshal Sergei Akhromeyev, the chief of the Soviet Defence Staff, who has always been publicly opposed to any unilateral arms cuts before negotiations between Nato and the Warsaw Pact.

His sudden retirement was confirmed yesterday by Mr Gennady Gerasimov, Soviet Government spokesman.

Mr Gorbachev's promises were hailed as "very constructive" by Mr Marlin Fitzwater, the White House spokesman, and "warmly welcomed" by Mrs Margaret Thatcher, the British Prime Minister.

In Brussels, Mr Manfred Woerner, Nato Secretary-General, called the move a long overdue step in the right direction. US and British officials said the cuts would still leave the Soviet Union with superiority in conventional forces.

Mr Gorbachev used the maximum international exposure of his address to the UN General Assembly – the first by a Soviet leader for 28 years – to make the most sweeping unilateral disarmament gesture of recent years. After the speech the Soviet President sat down to an informal summit meeting with President Ronald Reagan and President-elect George Bush.

Mr Gorbachev also announced his readiness to publish plans for the conversion of key Soviet defence factories to civilian production, and called for comparable proposals from other leading military powers.

In a further move, the Soviet leader announced a significant change in Soviet policy in Afghanistan, calling for an embargo on arms deliveries to all sides in the conflict, a ceasefire from January 1 and the installation of UN peacekeeping troops to enable a broad-based coalition government to be established.

The policy shift amounts to clear Soviet recognition of the danger of the collapse of the Kabul regime, headed by President Najibullah, and the urgent need to stabilise the military situation to enable a dignified Soviet troop withdrawal by the agreed deadline of February 15.

On human rights, Mr Gorbachev insisted that there were no longer any people "convicted for their political or religious beliefs . . . in places of confinement" in the Soviet Union. As for "refuseniks" who were still denied the right to emigrate for having been

Continued on Page 22

Details and analysis, Page 4; Ian Davidson on Europe, Page 2; Editorial comment, Page 20; Currencies, Page 42.

Main points of the address to UN

- A unilateral reduction in the armed forces of the Soviet Union by 500,000 troops over the next two years and the withdrawal of 10,000 tanks from Eastern Europe.
- A call for a ceasefire in Afghanistan on January 1 1989 and the dispatch of a UN peacekeeping force while a government is established.
- A proposal for a moratorium of up to 100 years on debt servicing by the least developed nations.
- A call for movement towards a treaty on 50 per cent reductions in strategic offensive arms.
- A proposal for an international space laboratory to monitor the state of the Earth's environment.

Mikhail Gorbachev addresses the General Assembly of the United Nations yesterday

Estonian Parliament decides to defy Moscow

By John Lloyd in Moscow

THE ESTONIAN Supreme Soviet (parliament) yesterday voted against the recommendation of its own president, to deliver a colossal snub to Moscow by refusing to recognise the USSR Supreme Soviet's right to override the republic's decisions.

Mr Arnold Ruutel, president of the Estonian Soviet, proposed that the delegates accept the USSR Soviet's final say on legislation and constitutional issues. If accepted, this proposition would have cancelled the vote taken by the Estonian Soviet on November 16, to retain a right of veto over all Soviet legislation.

When put to a vote, Mr Ruutel's proposition was defeated 152-91. A counter proposition, put by Mr Lemlit Kork, first secretary of the Rakvere regional Communist Party, to reject Moscow's ruling, was carried 165-87, with six abstentions.

The vote, an unexpected one, is a direct gesture of defiance against the national leadership, which, at last week's session of the USSR Supreme Soviet, called to vote in new constitutional laws, spent much of its time alternating between condemning Estonia's actions and insisting that compromises could be found which would make relations between Moscow and the republics less authoritarian.

Significantly, Mr Kork is a relatively senior Communist official and is also from an area in the industrialised

Continued on Page 22

Ministers unable to break deadlock on farm reform

By Peter Montagnon and William Dullforce in Montreal

TRADE MINISTERS arrived at the critical point in their attempt in Montreal to give new impetus to the Uruguay Round of multilateral trade negotiations with no sign of a break in the deadlock between the European Community and the US on the key question of agricultural trade reform.

After Mr Ricardo Zerbino, the Uruguayan Finance Minister who has been chairing the meeting, failed to narrow differences between the two sides, the ministers were bracing themselves for a long night of exceptionally hard bargaining.

Early talks on the deadlock adjourned after only two hours yesterday with no immediate timetable set for further meetings.

Agreement on farm reform emerged in Montreal this week as an essential precondition for the success of the mid-term review, held under the auspices of the General Agreement on Tariffs and Trade (Gatt).

The US, which continues to insist on a commitment from the meeting to an elimination of all trade-distorting farm subsidies, is now virtually isolated.

Mr John McGregor, UK Minister of Agriculture, said: "It's really worrying that we might see this week's meeting founder on (US) insistence on some absolute position. This is no way to negotiate."

The unanswered question was whether Mr Clayton Yeutter, US Trade Representative, was deliberately witholding flexibility in an effort to squeeze concessions out of other participants in areas such as liberalising trade in services and intellectual property.

Delegates said they were close to agreement on ways of improving the Gatt system, and making progress on tightening its disputes settlement and negotiating tariff reductions.

They were also inching forward on services.

Mr Daniel Amstutz, US farm negotiator, said his country would not give in on agriculture, however.

The US has been arguing that the Montreal meeting represents a once and for all opportunity to persuade the EC to unwind its common agriculture policy over the long term.

Some delegates believe there are also strong domestic political restraints on the US, particularly in the area of short-term farm reform which the EC has been pushing for.

Mr McGregor said the EC had worked hard for internal agreement on farm reform and had already taken short-term action which the US now admitted to have underestimated.

The mood of the talks will become clear as the conference draws to a close tomorrow, when the EC is expected to raise its dispute with the US over hormones in meat.

Meanwhile, Tuesday's appointment by Mr George Bush, incoming US President, of Ms Carla Hills as the new US Trade Representative has gone down badly with delegates in Montreal.

Full Gatt report, Page 5

European motor industry is seriously flawed, says study

By Guy de Jonquières in London

THE STRENGTH of Western Europe's new car market masks serious weaknesses in its motor industry, which is highly vulnerable to a downturn in demand, an internal European Commission study has warned.

The study says Europe's six volume car makers remain in a "precarious" situation and are not yet strong or profitable enough to withstand the full force of open international competition if the European Community market sagged. It warns that even without Japanese competition the EC industry faces more turbulence and restructuring.

Although European car makers had sharply increased their productivity and efficiency since 1980, their competitiveness still lagged far behind the Japanese industry.

The study was prepared by Commission officials to help deal with Japanese car imports after 1992. The study coincides with signs that the four-year boom in worldwide car sales is tailing off.

It says that if the import curbs imposed by several EC countries were removed and not replaced by Community-wide restraints, the share held by Japanese car makers in the EC market could rise from 10.6 per cent in 1986 to 18 per cent in 1995.

"Arithmetically, this increase of 1m units in Japanese imports would equate to the disappearance of one of Europe's six main producers," the study says.

It expects between 500,000 and 800,000 vehicles a year to be assembled in Japanese-owned plants in the EC by 1995. In the US, Japanese car

Continued on Page 22

Background, Page 2; Japan car imports set to rise, Page 3

Krupp chairman to step down

By David Goodhart in Bonn

MR BERTHOLD BEITZ, 75, chairman of Fried Krupp, the West German heavy industrial group, has finally announced he will retire next June to make way for Mr Gerhard Cromme, 30 years his junior and currently chairman of Krupp Stahl, the group's publicly-quoted steel division.

The announcement, made during a supervisory board meeting lobbied by more than 1,000 Krupp workers protesting against job cuts, follows months of speculation about the company's future and growing pressure from its own banks and from the press for a radical overhaul.

The company's profit performance has been erratic in recent years, and the Iranian Government, which owns 25 per cent, has been complaining of poor returns.

This year has seen a damaging public dispute with the unions over closure of the steel plant at Rheinhausen, regular newspaper reports of strife among senior managers, and then unexpectedly large losses in the plant building division.

But because Mr Beitz is also chairman of the philanthropic foundation which owns the other 75 per cent of the company the pressure for change has been easily deflected. Mr Beitz will stay in charge of the foundation.

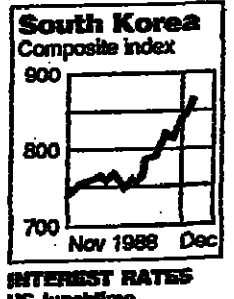
The appointment of Mr Cromme, an internationally-minded lawyer who worked for the French glass group Saint-Gobain for 15 years before taking over Krupp Stahl in 1986, appears to indicate that Krupp intends to remain an independent company but accepts the need for a thorough rationalisation.

Mr Cromme has won respect for his tough stance against the unions at Krupp Stahl and it was widely assumed that union representatives on the

Continued on Page 22

MARKETS

South Korea
Composite index



INTEREST RATES
US lunchtime
Federal Funds $8\frac{7}{16}$% ($8\frac{9}{16}$)
3-mth Treasury Bills: yield: 8.22% (8.17)
Long Bond: $100\frac{15}{32}$ ($100\frac{23}{32}$)
yield: 8.95% (8.92)
London
3-month interbank: close $13\frac{7}{32}$% ($13\frac{3}{16}$)

STERLING
New York lunchtime
$1.8435 (1.86045)
London:
$1.84 (1.8655)
DM3.2375 (3.2325)
FFr11.0575 (11.0350)
SFr2.7225 (2.71)
Y227 (227)

DOLLAR
New York lunchtime
DM1.758 (1.73745)
FFr6.005 (5.9335)
SFr1.478 (1.45675)
Y123.35 (121.925)
London:
DM1.76 (1.7325)
FFr6.01 (5.9335)
SFr1.48 (1.4525)
Y123.35 (121.70)

GOLD
New York latest
Comex Feb
$428.4 (431.9)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,150.25 (+0.89)
S&P Comp
278.04 (+0.45)
London:
FT-SE 100
1,771.7 (+4.3)
World:
139.43 (Tues)
Tokyo
Nikkei Ave
30,050.82 (+381.44)
Frankfurt
Commerzbank
1,613 (+10)

OIL
Brent 15-day (Argus)
$14.65 (+.375) (Dec)
West Tex Crude
$15.645 (+.34) (Jan)

CONTENTS

A fearful picture of life in Ceausescu's Romania

As Romania prepares for a cheerless winter Margaret van Hattem calls on the Eastern bloc to cold shoulder a regime which is engineering the destruction of 13,000 ethnic communities and their replacement by modern complexes
Page 21

Martens urges EC-wide rules for extraditing suspected terrorists

By David Buchan in Brussels

EUROPEAN Community governments should adopt common procedures on the extradition of suspected terrorists, Mr Wilfried Martens, Belgium's Prime Minister, said yesterday.

At a news conference convened for British journalists in the wake of sharp UK criticism of his Government's refusal to send Mr Patrick Ryan to Britain to face terrorist conspiracy charges, Mr Martens admitted for the first time publicly that his cabinet had overruled a confidential recommendation from the Belgian supreme court to grant London's extradition request.

"The judicial authorities can be wrong in their judgement," Mr Martens said, explaining that his cabinet had come to the unanimous view on November 25 that the court had ignored a key Belgian legal requirement. He said Belgian conspiracy law had required evidence of named co-conspirators, which the UK had not provided in the Ryan case.

But Mr Martens suggested he was prepared to change Belgian extradition procedures, which give the Government the final say, in order to obtain EC conformity. "I am convinced that for terrorism we need common rules (on extradition). For example, I could accept that only the courts should decide and that this would be a common European policy." He hinted Belgium might float the idea at tomorrow's meeting of EC interior ministers in Athens.

Asked how he could reconcile giving courts sole say in intra-EC extradition cases with his criticism of his own courts in the Ryan case, he suggested that if there was "a tradition of decisions" taken by the courts, the latter might better scrutinise extradition requests.

Leaving extradition to the courts alone would appear to respond to Mrs Margaret Thatcher's complaint of Belgian political interference in the Ryan case. But Mr Martens said he had received no *endorsement when he raised* his EC extradition initiative during "a very vivid conversation" with the UK leader

Paris strike deal cuts ground from censure vote

By George Graham in Paris

THE FRENCH Government has come under mounting pressure in recent weeks from a wave of public strikes that it has appeared unable to stem. Tomorrow night it will come under parliamentary pressure as it *defends* itself against a censure motion by the right-wing RPR party.

Yesterday's agreement by four major unions to restart work on the Paris public transport system has cut the ground from under the motion. The majority Communist CGT union has refused to agree to the settlement, but bus and metro services were noticeably better yesterday.

Nevertheless, the position is an uncomfortable one for an administration which lacks an absolute majority, even if the abstention of the 24 Communist deputies makes it nearly impossible for Mr Michel Rocard's Government to be defeated on the motion.

If the motion puts Mr Rocard under strain, however, it has also strained the right-wing opposition. *Many members of the UDF right-wing* grouping, starting with its leader, former President Valéry *Giscard d'Estaing*, are not at all sure they would have acted any differently had they been in office.

The centrist UDC group, led by Mr Pierre Mehaignerie, meanwhile, resented the transformation of the motion into a sort of virility test aimed at forcing it to abandon its policy of "constructive opposition", which has led it to back the Government for several crucial budget votes.

Both UDF and UDC have wriggled out of the trap set by the RPR, by refusing to sign the censure motion but agreeing to vote for it. But Mr Raymond Barre, the maverick centrist candidate in the presidential elections, refuses to follow suit, though affiliated to the UDC.

These differences of opinion have exposed once again the divisions on the right, which was badly defeated in the May presidential election.

The unexpected failure of the Socialists to win an outright majority in the subsequent parliamentary elections and the decline in the threat of being outflanked on the right by the extremist National Front helped mask the extent of this defeat.

After a brief flurry of self-doubt, the RPR appears to have settled back into the same pattern as before, shaking off an attempt to force a rethinking of its philosophy.

The recovery of the RPR, which might have been expected to lose the leadership of the opposition after the resounding defeat of Mr Jacques Chirac in the presidential election, owes much to the internal strife of its partner the UDF. For Mr Giscard, controlling the UDF's member parties would be hard enough even without the task of bring*ing the straying UDC back into* the fold.

The idea of a merger between the RPR and the UDF, suggested by Mr Edouard Balladur, the former Finance Minister, appears to have gone into cold storage.

The two parties seem to have less and less to distinguish them in policy terms, but the factional rift between them appears as strong as ever. This is at least partly because each formation is firmly lined up behind its champion, Mr Chirac in the case of the RPR and now Mr Giscard for the UDF.

The two leaders' ambitions appear difficult to reconcile. Behind them, "young pretenders" like Mr Francois Leotard believe both have had their chance and doubt whether either can win the presidency from the left in six years' time.

Why Moscow has far to go before it joins European ranks

FOR four decades, Western Europe lived in the shadow of a hostile superpower, with the threat of invasion by the Soviet Union and the fear of nuclear war. During the past three years, that fear has progressively lifted; hardly a month now passes without some new demonstration, in the dynamic diplomacy of Mr Mikhail Gorbachev, of the Soviet leader's determination to seek better relations with the West.

His high-pressure public *relations trip to* the UN and to President Reagan, to be completed by visits to Cuba and to Mrs Margaret Thatcher, is only the most recent of a series of theatrical events which have kept the world in suspense since March 1985.

Some people in the West say: "The Cold War is over – and we won." The point that has not yet fully sunk home, however, is that the real winners may turn out to be the countries of Western Europe. The dynamism of Mr Gorbachev's diplomacy may be inaugurating an era marked by a substantial revision of the relationship of force between the Soviet Union and Western Europe.

In itself, the Soviet Union's *anxiety to secure better relations* with the West in general and with Western Europe in particular, is obviously admirable and desirable; but it is virtually admitted by the Soviet leadership to be a symptom and a consequence of systemic failure at home. At the same time Western Europe, in the form of the European Community, is demonstrating an unfamiliar political and economic dynamism, which is magnifying its power of attraction and influence at the Western end of the Eurasian land mass.

Mr Gorbachev made arms control negotiations with the US the talisman and centrepiece of the first phase of his new detente with the West. But the *forthcoming* conventional force talks will place a much larger role on the countries of Western Europe; and one of the most telling tributes to the growing weight of Western Europe in the international system is Moscow's insistent (and rather pathetic) refrain of "our common European home".

Not everybody in Western Europe would agree that a revision of relative positions is taking place, and some regard the turbulence of the Gorbachev era with scepticism or even anxiety. At an East-West seminar in Paris last week, two very distinguished Frenchmen worried out loud over the outlook for events in Eastern Europe. Their misgivings were partly a reaction to the uncriti*cal relief expressed* by a West German colleague at the marvels of Moscow's new diplomacy; despite the assiduousness of Franco-German relations, the French seem unable to shake off the fear *that* the Germans are in constant danger of going neutral.

In Moscow, however, the idea of a revision of international roles is openly accepted. Two weeks ago, a top member of the foreign policy establishment told me, as calm as you please, that detente and disarmament would reduce the relative power of the two superpowers. As a result of a process of de-militarisation, the Soviet Union would have a diminished role in world affairs, while the US role would become more complex, more uncertain in the post-Cold-War era.

IAN DAVIDSON
ON EUROPE

The prediction may not hold good. Yet it is a fact that the Soviet Union's claim to superpower status has long rested almost exclusively on its military might: certainly, neither its economy nor its political system could be held up as a desirable model, even if the scale of the domestic bankruptcy was partly concealed from foreign eyes.

Mr Gorbachev's domestic reforms are designed to make good these terrible failures; but *reform will take* many years and may never succeed. Meanwhile, if the Soviet Union carries through its present process of disengagement from interference in the Third World, and if its claim to more peaceful relations with the West is translated into major cuts in the Vienna conventional force talks, then its capacity to threaten the rest of the world will also be reduced.

The real target of the slogan "our common European home" remains elusive. Some have concluded that Moscow is trying to split the West by snuggling up to the Europeans, at the expense of the Americans. But even if the new Russian poli*cies are getting a more appre*ciative audience in Europe than in the US, two foreign policy experts in Moscow told me categorically that there was no question of trying to ease the US out of Europe.

One of them said: "We are now convinced that the US and Canada are important parts of the Helsinki process in Europe: the removal of US troops would create misgivings. Such is the reality of things." The implication is that, amid the potential turbulence of perestroika in Eastern Europe, starting with Poland and the Baltic states, the Helsinki process may be counted on to provide a treaty structure to ensure that the West does not make the turbulence worse. The US is part of that structure and a guarantor that West Germany will stay in the West and not re-unite with East Germany.

At another level, however, the slogan is an emotional appeal for acceptance as a civi*lised part of the European fam*ily of nations. Mr Vadim Zagladin, Soviet star of last week's Paris seminar, put the point with disarming directness: "Europe is a priority area, because we *are* Europeans, you see."

The simple assertion of membership is not enough, however. The European Community has regularly debated over which applicant countries might qualify for membership, and the answers are not *self-evident*. As a Nato member, Turkey is presumably "Western", but it is less obviously "European"; its politics and economy are not yet part of any European mainstream. Austria may be European, but it is not fully independent, since its neutrality was imposed by Moscow.

These are almost debating points, however. The real issue is that *the European Community* represents a *political* paradigm which is the antithesis of anything in the Soviet system until now: on the one hand, a collection of free and democratic sovereign states, freely and progressively uniting their economies and eventually no doubt their societies, and attracting voluntary new members; on the other, a centralised political system imposed by force or subversion, an economic system which is bankrupt and corrupt, and the whole dominated by a superpower whose legitimacy is now challenged both within and without.

Western Europeans should be a little less fearful of possible dangers ahead, and face up to the reality of their success and Soviet failure. When Russians say: "We are Europeans, you see", there is only one possible answer. "No; or at least not yet."

EC study highlights growth areas

By William Dawkins in Brussels

SEMICONDUCTOR producers in the European Community will lose world market share to the US and Japan between now and 1993, but EC producers of software, telecommunications services and consumer electronics will gain, according to a wide-ranging study of 130 European industrial sectors.

Advertising, aircraft production and pharmaceuticals are the other main growth areas highlighted in the 700-page Panorama of EC Industry, published by the European Commission as the EC's answer to a similar US publication.

The book, the first of an annual series, predicts that EC steelmakers will lose market share, while other traditional sectors like cars, textiles and machine tools will show little *change in position against the* US and Japan.

The Commission maintains that this sector-by-sector compendium of research from EC industry associations shows an optimism about Europe's industrial future at microeconomic level which contrasts with the generally accepted gloomy macroeconomic picture of low investment, high unemployment and slow growth.

The study illustrates the extent to which new technologies have been absorbed across the sectors, one mark of which it argues is the continued growth of service industries, accounting for nearly 48 per cent of EC value added as *against 26 per cent for manu*facturing.

It provides details of the dynamism being shown in formerly mundane service sectors like courier deliveries, security and cleaning, as well as the manufacturing sectors that are fuelling the 7.4 per cent rise in EC manufacturing output recorded in the two years to 1987.

Panorama of EC Industry 1989, Ecu21 (£13.52), Office for Official Publications of the European Communities, 2 rue Mercier, L-2985 Luxembourg, tel 49 92 81.

Commission move on axle weights

By Tim Dickson in Brussels

THE distant rumble of heavier lorries may have been audible in Britain yesterday after the European Commission announced that it wants to bring maximum axle weights in the UK and Ireland into line with the rest of the Community by the end of 1996.

The move, which will almost certainly be opposed by the UK *Government, could also spark* a political row in the British Parliament where feelings on the issue traditionally run high.

The Brussels authorities, however, have always wanted to end the special exemptions which were introduced in 1984 when agreement was reached on maximum weights and dimensions for larger lorries across the EC. Under the derogations the UK and Ireland *may apply maximum* limits of 38 tonnes for five and six axle articulated vehicles, compared with the maximum 40 tonnes elsewhere. The maximum weight of the key "drive" axle need not exceed 10.5 tonnes in the UK and Ireland (whereas the directive due to come into effect in 1992 allows 11.5 tonnes in the rest of the Community).

The Commission said yesterday that it has analysed the work needed to improve bridges and roads and that the bulk of this should be completed by 1996. About one in 20 bridges, or 4410 in all, are estimated to be sub-standard in the UK for the higher EC weights. The situation is worse in Ireland – about 7,000 bridges will need strengthening – but it was hinted yesterday that financial support could be provided by Brussels.

The Commission's proposal is certain to become linked to the issue of maximum vehicle weights for smaller lorries.

Kohl pledge on employee protection

By David Goodhart in Bonn

THE West German Chancellor, Mr Helmut Kohl, yesterday assured his fellow countrymen that the EC's plans for an open market by the end of 1992 would not become an opportunity for "social dumping".

"We will not allow the open market to become an excuse to lower our national standards of employee protection," he said after a national conference on 1992 attended by employers, unions and consumer groups.

Mr Kohl's exercise in calming domestic anxieties was supported by a number of senior industrialists, including Mr Roland Issen, chairman of DAG, who said that the open market must not undermine the social state.

However, Mr Ernst Breit, leader of the national trade union centre, remained worried that companies would try to use 1992 as an excuse to wriggle out of their commitment to worker participation through the co-determination system.

The unions fear that West German companies will relocate their headquarters outside the country and then claim that they are immune from German industrial relations regulations.

Recently Mr Klaus Murmann, head of the BDI employers' organisation, praised the system for creating a sense of involvement and stimulating higher productivity. Yesterday, however, his brother, Mr Dieter Murmann, chairman of the Christian Democrat economic committee, demanded changes in the system to give management greater authority.

Greek Communists agree to end electoral split

By Andriana Ierodiaconou in Athens

THE two parties in the Greek Communist movement, which split 20 years ago, have joined forces in an electoral pact *designed to mop up undecided* voters in next year's elections when the four-year term of Mr Andreas Papandreou's ruling Socialists expires.

Polls show the level of undecided voters running as high as 20 per cent. Many are disaffected Socialists who are not inclined to support the conservative New Democracy party, the largest opposition group.

The Communists believe they are *likely to attract* more votes as a united group than if they stand as two separate parties. The alliance, if it succeeded in winning substantial numbers of undecided votes, would be likely only to give the Communists a greater presence in Parliament, but it could conceivably give them the balance of power between the Socialists and the conservatives.

The pro-Moscow Communist Party of Greece (KKE), traditionally a bastion of Stalinist Orthodoxy, won 13 seats in the 1985 general elections, while the Eurocommunist wing of the marginal Greek Left emerged with one seat. Mr Papandreou's Socialists won 161 and the conservatives 126.

W German bank predicts faster rate of growth

By Andrew Fisher in Frankfurt

WEST GERMANY'S economy, more robust this year than forecast, is set for a period of solid growth into the early 1990s, one result of which will be a marked fall in unemployment, *Deutsche Bank said* in a report on economic prospects over the next five years.

Growth should average between 2.5 per cent and 3 per cent up to the end of 1993, well over the 1.7 per cent seen so far in the 1980s, concluded the bank, the largest in Germany. With industrial investment increasing three times as fast as during the past eight years, unemployment (now 2.1m) should fall by around 500,000 people in the next five.

Admitting that its study showed more confidence than most other forecasts, Deutsche Bank also stated the need for more deregulative and stimulative action by the Government, though Bonn politicians now seemed to accept this. In addition, the bank justified its optimism by citing several positive foreign and domestic trends:

- The world political situation was calmer, with a greater readiness to settle conflicts peacefully. It cited the ending of the Iran-Iraq war and improved East-West relations.
- *The coming of the EC inter*nal market would set an investment wave in motion and also reinforce growth and employment through the elimination of physical, fiscal, and technical barriers.
- Corporate profits continued to recover in most industrial countries, partly through slower cost rises and partly through lower taxes.
- Supply side economics was being more widely practised. More countries were following the US and UK examples and reducing tax, administrative, and other hindrances to growth. Here, Germany still had to catch up.

However, Deutsche Bank also referred to the risks which could darken this picture. These comprised Third World debt problems, protectionism, and current account imbalances.

Arson may have caused fire at Sandoz plant

By John Wicks in Zurich

ARSON could have been the cause of the disastrous 1986 fire at a storage facility of Sandoz, the Swiss chemical company, at Schweizerhalle, near Basle. Serious pollution of the Rhine occurred when quantities of toxic substances were carried into the river by water used to fight the fire.

According to the company, local authorities have now completed an inquiry into the incident and handed the findings over to the public prosecutor. These are based primarily on investigations conducted by the Zurich police which concluded that the fire was "most probably" brought about by the shrink-wrapping of pallets containing the pigment Prussian blue.

At the same time Sandoz, in consultation with counsel for seven employees, has submitted the results of additional criminal and chemical investigations to the public prosecutor. In one of these reports an expert "comes to the conclusion that a number of causes other than shrink wrapping" could equally well have been responsible for the fire.

"In particular, there are *numerous indications that the* possibility of arson cannot be discounted," Sandoz stated yesterday. The company points out that several hours elapsed between the end of shrink-wrapping activities and the outbreak of the fire. Sandoz quotes chemical experts as claiming that it is unlikely that the shrink wrapping of Prussian blue was the cause.

Italy set for highest growth this decade

By John Wyles in Rome

ITALY IS set to close 1988 with its highest economic growth rate this decade without suffering any appreciable worsening of its trade balance since last year and even possibly strengthening a small balance of payments surplus.

This has brewed a general air of satisfaction marred only by signs that the budget deficit target for this year may be breached by up to L4,000bn (£1.68bn) and anxieties that spending next year may also burst through the limits drafted in September.

Fears that the economy may be overheating and inflation turning upward are discounted by government ministers despite an extraordinary 19 per *cent increase over the past* year in car sales in November, and recent indications that the year-on-year rate of price rises was around 5.2 per cent.

After the highest monthly increase since July 1985, car sales last month broke through the 2m mark for the first time without domestic producers surrendering any significant market share.

But strong consumer demand is only part of the explanation for the L1,300bn rise in the trade deficit in the first 10 months which, according to figures published yesterday, reached L10,683bn. Heavy machinery imports have increased steadily throughout the year in a reflection of strong industrial investment which has provided the basis for a rise of around 6 per cent in industrial output.

Exports have been holding up well, rising 12.9 per cent in value last month against a 13 per cent increase in imports.

The threat to the trade balance posed by excessive domestic demand was cited on Tuesday as one reason for raising domestic interest in a controversial call – immediately challenged by spokesmen for industry – which was made on Tuesday by Mr Piero Barucci, president of the Italian Bankers' Association.

He urged the authorities to follow a general international move towards higher domestic interest rates and pointed to October's 16.5 per cent annual state of increase in bank loans as a further cause for concern.

The central bank, however, is more sanguine, while acknowledging that the growth of bank loans is well above its 10 per cent target. *Officials say* this is largely a result of higher than expected economic growth and that the 8 per cent rise in the main money supply indicator does not point to inflationary growth.

Moreover, higher interest rates would push up the costs of servicing the Government's L1 million billion of accumulated debt which now looks likely to be swollen by a deficit this year of L120,000bn to L122,000bn. This will comfortably outstrip all of the various targets espoused by the government over the past 12 months, ranging from L100,000bn to, most recently, L118,000bn.

It also does little to establish the credibility of the 1989 budget deficit target of L117,500 *which is meant to be the Gov*ernment's first step towards stabilising the public debt burden by 1992.

Hard driving leaves European motor industry still trailing Japan

Guy de Jonquières, International Business Editor, reports on a sobering study by the European Commission

FOR AN industry to be told it is still on the sick list while basking in a glorious recovery of sales and profits is a sobering experience. All the more so when the industry has just been through several years of strenuous effort to get fit.

That, however, is the stark message of the European Commission's internal study of the European motor industry. Though it acknowledges that vehicle makers are in better shape than for many years, it warns that they are still too weak to stand up to the Japanese in an open fight.

In fact, the prognosis will come as no surprise to the European manufacturers, many of which are lobbying hard for EC import curbs to protect them from Japanese *competition after the single* market is completed in 1992.

The Commission study says productivity improvements enabled the European industry to make 13m vehicles with 1.8m employees last year, compared with 12m vehicles and 2.2m people in 1980.

Thanks to lower break-even points and strong demand, the industry earned profits of about Ecu7.6bn (£4.9bn) last year after heavy losses in the early 1980s. For the first time for years, almost all European companies were in profit.

However, the study warns that the recovery is based on fragile foundations, and that the industry will again face difficulties if EC demand weakens. The industry still trails Japanese standards of production efficiency, is financially precarious and has retreated from world markets.

The study finds no area in which Japanese manufacturers do not outclass the European industry or are not rapidly gaining ground. It identifies *five key reasons for the Japa*nese industry's superiority:

- A cohesive structure, in which vehicle assemblers are closely linked to large networks of suppliers and companies from a wide range of other sectors.

The supplier structure probably gives Japanese vehicle makers their single biggest advantage over Western competitors, the study says. Though smaller than that of Europe, Japan's automotive components industry is much less fragmented.

The top tier of Japanese components suppliers consists of 310 companies, employing 900 people on average. Europe has 1,500 companies, employing an average of 400 people. Only 15 per cent of the European companies employ more than 500 people, against 45 per cent in Japan.

A strong components sector is increasingly the key to a successful motor industry. Many European components *suppliers are unable to* finance the investments they have to make, and a further shakeout is unavoidable.

- Improved assembly methods. Though European companies have invested heavily in automation and robots, they still trail Japanese productivity and quality standards.

The Europeans need to improve production equipment further to offset "sociological differences" with Japan. They also need to make production lines more flexible and to use human skills more effectively.

- Meeting market needs. Japanese car companies have been highly resourceful in responding to and creating new market demands. They have cut new product development times to less than four years, compared with six years in Europe.

European companies must become more agile in exploiting market niches, since margins on volume cars are likely to grow steadily thinner.

- Research and development. Europe's *traditional lead* in automotive design is under threat, as Japanese companies move up-market into more sophisticated models. R&D is now a key competitive factor. Since the mid-1980s, the Japanese motor industry has been spending more on R&D than European vehicle makers, and in 1986 Japanese *outlays* equalled 60 per cent of capital investment.
- Internationalisation. The Japanese industry is increasingly operating on a global scale, extending the international reach of its sales, production and components sourcing. By contrast, European motor companies have recently done no more than arrest a steady slide in their share of non-EC markets, which fell to 15 per cent last year from 24 per cent in 1970.

Sales growth has come increasingly from within the EC, and particularly from countries which limit Japanese imports. On average, 61 per cent of production by the seven *leading EC car makers* was sold in the Community.

European companies have abandoned US assembly operations. Though intra-EC trade in automotive components has grown, most European vehicle makers still source mainly from their domestic suppliers. This heavy dependence makes the European industry highly vulnerable to a weakening of vehicle sales in the EC.

The study provides arguments for both protectionists and free traders in the Community. *Its unsparing analysis* of Europe's weaknesses will undoubtedly be seized upon by motor industry lobbyists to support claims that it needs more time to adjust before the EC market is opened to the full blast of Japanese competition.

However, the study also emphasises the vital importance of competition from Japan in spurring European vehicle makers to improve the quality of their products and their manufacturing efficiency.

The inability of the European Commission to agree so far on how to treat Japanese car imports after 1992 suggests that it is having great difficulty deciding between these two viewpoints.

CAR PRODUCTION IN MAJOR MARKETS*
(Thousands of units)

	1984	1985	1986	1987	1984/7 ave. % change
EC	9,949	10,347	10,988	11,651	5.4
W Europe	10,322	10,748	11,407	12,082	5.4
N America	8,840	9,277	8,792	7,957	(3.7)
Japan	7,073	7,647	7,810	7,891	3.7

* excluding double counting

Source: DRI/EC Commission

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WORLD TRADE NEWS

Car imports to Japan set for one-third rise

By Stefan Wagstyl in Tokyo

CAR imports to Japan are set to rise by a third this year to nearly 130,000, according to executives at importing companies.

They were commenting on figures published yesterday by the Japanese Automobile Importers' Association which showed that up to the end of November imports were 35 per cent up on the same period last year at 116,448.

After faltering in the summer, the rate of growth picked up in the autumn, due in part to a surge in imports by Honda, the Japanese carmaker which this year started importing US-made vehicles.

Mr David Blume, marketing director of Austin Rover in Japan, said: "We're going to have a third year of 30 per cent-plus growth, albeit from a low base. Car imports are looking good."

The market is being driven by the increasing willingness and ability of Japanese to buy foreign cars, mostly luxury models priced at a premium to domestic ones. Also, the Japanese Government has revised regulations in a number of areas where importers complained about discrimination, notably in car insurance.

Meanwhile, importing companies have stepped up their marketing efforts. For example, several overseas producers have in the past year signed agreements for their cars to be sold in the showrooms of Japanese manufacturers.

Volkswagen, the West German producer, indicated this week it was planning a joint venture with Yanase, its existing Japanese distribution company, for a second, separate, sales network.

The biggest increase in the year to date has been posted by Honda, with 4,527 imports against eight the previous year. Ford has increased its sales from 761 to 3,414, with the support of its first strong sales campaign for many years.

Among European companies, BMW, the biggest importer, is up 22 per cent on the year so far with 23,396 cars.

Daimler Benz is not far behind with 23,227, up 18.7 per cent. The best-selling British car is the Mini – 5,900 sold so far, an increase of 49 per cent.

US biotechnology group in China drug deal

By Peter Marsh

CELL TECHNOLOGY, a US biotechnology company, has reached outline agreement on a pioneering deal with China under which the company plans to turn into drugs for fighting cancer and other diseases a range of bacteria-based substances discovered by Chinese scientists.

Mr Terrance Schreier, chairman of Cell Technology, said in London the substances could help his company in its general development of a variety of naturally-occurring bacterial agents for combating illness.

The agreement, subject to a final go-ahead from the US and China, is believed to be the first such deal involving a US biotechnology company there. It concerns biological fragments called biological response modifiers.

These are based on bacteria developing naturally in soil cultures. Cell Technology believes specific modifiers can interact with the body's immune system to help it fight diseases such as cancer, AIDS, herpes and arthritis.

Cell Technology hopes its first product based on such a bacterial agent will go on sale in the US or Europe in 1990.

Cell Technology is to attempt to develop into drugs 22 biological agents discovered at the Chinese Medical Academy of Sciences and Chinese Cancer Institute.

Gorbachev visit 'will boost UK trade'

By Bruce Clark

BRITISH officials regard next week's visit by Mr Mikhail Gorbachev, the Soviet leader, as an "extra-special trade opportunity" (in the words of one) that should help to put flesh on the bones of the economic goodwill achieved by Mrs Margaret Thatcher, the Prime Minister.

Mr Gorbachev will be accompanied by Mr Vladimir Kamentsev, chairman of the Commission for Foreign Economic Relations, and the most senior Soviet economic official to have visited Britain.

UK officials had a glimpse of Mr Kamentsev when Mr Gorbachev passed through Britain a year ago on his way to the US-Soviet summit, and they are now relishing the prospect of a whole day with him (next Tuesday) which will include intensive talks with the Department of Trade and Industry (DTI) and hand-picked British businessmen.

The British side is expected to re-emphasise to Mr Kamentsev the target, agreed by both countries last year, of a total Anglo-Soviet trade turnover of Roubles 2.5bn (2.75bn) by 1990: this year's total is expected to be around Roubles 2.2bn, only a fraction up from Roubles 2.1bn in 1987.

The British will also put to their Soviet counterparts the view that Soviet exports to the Britain (dominated by oil and oil products, followed by wood, vehicles, hides and chemicals) are faring better than trade in the other direction.

To which the Soviet side will no doubt reply that Moscow has committed itself to using British companies for some major contracts (the showpiece so far is a £250m deal under which Simon-Carves will build an automation equipment plant in Armenia), and that it will take some time for the effect of these agreements to show through in the trade figures.

Soviet and British trade figures are sharply at variance (British officials maintain that their data are prepared on a stricter customs-cleared basis), but they concur in showing a handsome surplus for Moscow.

Costa Rica sets pace for common market

David Pickles reports on signs of a greater trade consensus in Central America

ATTEMPTS to revive the moribund Central American Common Market come amid signs of a greater regional consensus on policy towards trade.

The clearest evidence of this consensus, despite conflicts and serious ideological differences, is over tariff policy.

The common external tariff of the CACM was cut in 1986 to an average of 55 per cent for finished consumer goods (higher for clothing, footwear and fiscal products, which go up to 100 per cent). But in December, Costa Rica will finalise a $100m World Bank structural adjustment loan agreement, under which it will cut the maximum nominal tariff to 40 per cent on most finished imports over a three- to five-year period, implying a level of effective protection of around 75 per cent.

This is the first time Costa Rica has made a World Bank agreement which conflicts with its Common Market commitments. A previous loan, agreed in 1984, was constrained within the tariff-reducing possibilities of the CACM, at the insistence of President Monge.

Now economic liberals like Mr Eduardo Lizano, president of the central bank, backed by a majority in the Arias Government and strongly supported by the US Agency for International Development, are pushing the country towards trade with extra-regional partners, especially the US, under the Caribbean Basin Initiative (CBI) – and are not prepared to be held back by the CACM.

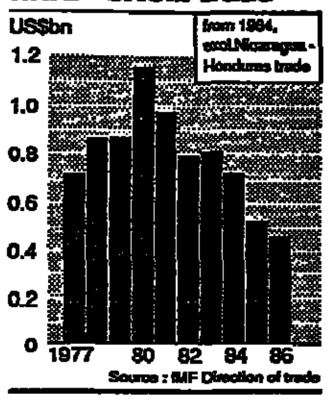
So, Costa Rica's common market partners face a dilemma: either the common external tariff has to fall again or free trade with Costa Rica has to end. Initial signs are that the common tariff will be adjusted. Guatemala has said it will follow Costa Rica towards 40 per cent and is expected to begin talks with the World Bank on a structural adjustment loan in January. Honduras has made an agreement with the World Bank which will probably bring tariff cuts in its wake.

There is also a common movement in the region towards the General Agreement on Tariffs and Trade. Nicaragua, which joined in 1948, is at present the only full member and uses Gatt mainly as a forum to protest at the continuing US commercial embargo directed against Managua. Costa Rica is now a provisional member and is negotiating full membership. The other three states are all seeking provisional status.

There is little hope that most of the industries developed within the common market can revamp themselves to compete in world markets. The best they can hope for is to expand production for the regional market as foreign exchange becomes available for imported supplies.

It is in agriculture, rather than industry, that export hopes are concentrated. Tropical fruits, nuts, plants and flowers are the most promising. Costa Rica has increased its non-traditional exports outside the common market from $142m in 1983 to $400m last year – more than any single traditional crop, and over 35 per cent of total exports. The projected figure for 1988 is $475m. Around $50m of this is industrial *maquila* (bond industries) located in the free zones around San Jose, but the lion's share is agriculture.

Intra - CACM trade



Source: IMF Direction of trade

The rest of Central America is following Costa Rica's example of increased openness and new exports, but it is doing so nervously and with great caution, and more because it can see no alternative than from confidence that the rabbit will come out of the hat.

For Guatemala, non-traditional exports outside the common market were 14 per cent of total exports in 1987; Honduras 12.5 per cent; El Salvador 6 per cent; and Nicaragua 4 per cent. The Nicaraguan Agriculture Ministry has developed a plan to raise this to over 10 per cent over five years. But it is unlikely that they can easily repeat Costa Rica's success, which has been based on its advanced infra-structure, subsidies to the export sector financed largely by AID, and access to the US market – which is now twice as important as the common market for Costa Rica. Nicaragua, excluded from the Caribbean Basin Initiative, will have to look to European markets.

Even in Costa Rica – easily the Central American economy best equipped to withstand exposure to foreign competition – there is concern that liberalisation will undermine the economic and social basis of political consensus. State control of the banking system – nationalised in 1948 – has been eroded. This year's bank reform, which widened the scope for deposit capture by private banks and blocked central bank credits to the agrarian subsidy system, caused bitter divisions in the ruling party, culminating in the resignation of Mr Otton Solis, the Planning Minister.

There has been a series of road blockages by small farmers, hit by cuts in subsidised producer prices – and they have made common cause with the big *latifundistas* (large landholdings) from the Pacific coast in a defence of agricultural support. A concern for food security, combined with pragmatism in the ruling NLP, which faces elections in early 1990, have prevented the outright abolition of the subsidy system for food staples, like rice, corn and red beans. But producer prices are already down 47 per cent in real terms over the last three years and will continue to fall towards a weighted average of world market prices.

The new round of tariff cuts could well hit Costa Rican industry much harder than previous reductions – which often only cut the legal limits down to the levels of the actual tariffs. Clothing and footwear look particularly vulnerable. On the other hand, the engineering sector looks relatively secure.

Central America's moves towards a more uniform, export-based adjustment policy do not mean that a new Far East miracle is just around the corner. Much of the pain is still to come. The region's huge external debt has not gone away. At over $17bn, it generates contractual servicing costs of over 40 per cent of exports – though much less is actually paid. The UN is proposing $2bn for commercial debt relief in its special relief plan agreed in April; but this will not solve the problem.

Even if the new export products develop at breakneck speed and avoid market instability, they are starting from a low base in terms of both size and technical capacity. For the foreseeable future, the external balances of Central America will remain largely dependent on the exports of their traditional tropical agricultures – none of which offers a rosy prospect.

French group and Aeroflot in Moscow hotel accord

By Stephen Fidler, Euromarkets Correspondent

THE French group, Accor, parent of the Novotel hotel group, has signed a joint venture agreement with the Soviet airline Aeroflot to build a 500-bedroom hotel near Moscow's Sheremetevo airport.

Aeroflot will take a 66.5 per cent stake in the venture and Accor one of 13.5 per cent. Moscow Narodny, the London-based Soviet-owned commercial bank, will have a 9 per cent stake, the Belgian contractor Besix 9 per cent, and Coprest, the Committee for the Promotion of Exchanges with Eastern Countries, 3 per cent.

The total investment is valued at $70m (£38.8m) to $75m. Construction is expected to begin in the summer of 1989 and be completed in 1991.

Novotel said the agreement "should mark the first step of a programme of construction in Soviet towns eager to accommodate tourists". Moscow Narodny said it believed the market represented a major opportunity for British companies.

Alusuisse SFr56m chemical plant

By John Wicks in Zurich

THE Lonza division of the Swiss industrial concern Alusuisse is to build a chemicals plant, involving investment of some SFr56m (£20.7m) in the industrial zone of Ravenna.

The facility will be operated by the subsidiary company Alusuisse Italia on a site bought from the Italian petrochemicals group Enichem.

The plant will use technology developed by Alusuisse Italia together with the American chemical engineering company Lummus Crest, and will come on stream in 1990.

Bonn signs construction agreement with Iran

IRAN and West Germany have signed an agreement calling for Bonn's assistance in establishing construction material plants and in the reconstruction of war-damaged housing, the official Islamic Republic News Agency (IRNA) reported, AP-DJ writes from Bahrein.

IRNA did not elaborate on specific details of the agreement other than to say the pact was signed by Mr Oscar Schneider, West Germany's Minister of Regional Planning, Building and Urban Development. Mr Sarajeddin Kazerouni, Iran's Minister of Housing and Urban Development, signed for Tehran.

The report said that the agreement, which involves West German participation in housing construction, calls for creation of industries for prefabricated housing, cement, steel and glass. IRNA did not indicate what facets Bonn would undertake.

Iran will not rely on just one nation for reconstruction assistance. Talks have also been held with Moscow and Warsaw.

GORBACHEV AT THE UN

The Soviet leader yesterday unveiled proposals for sweeping cuts in troop levels and conventional weapons. **FT writers report**

Nato agrees stance on conventional forces

By Robert Mauthner in Brussels

NATO'S position for the East-West conventional force reduction talks, scheduled to start early next year, is expected to be approved by alliance foreign ministers at their meeting here today and tomorrow.

A joint statement at the end of the meeting will set out the broad principles of Nato's negotiating stance, which is based on the establishment of equal force ceilings for it and the Warsaw Pact. To achieve this goal, Nato, which claims that the Pact has a 2-1 or 3-1 advantage in nearly all major weapons systems, has called on the Soviet Union and its allies to make huge cuts in tanks, artillery, anti-tank weapons and helicopters.

Mr Gorbachev has already accepted the principle of asymmetrical cuts, but the Warsaw Pact does not agree with the latest statistics published by Nato on the conventional force strength of both sides. From the very start, therefore, the so-called Conventional Stability Talks (CST) are likely to bog down in arguments about the exact strength and composition of their forces.

Nato, which has recently made great efforts to regain the arms control initiative from Mr Mikhail Gorbachev, is putting forward detailed proposals for the cuts it wants the Warsaw Pact to make. It will propose that tanks should be reduced to about 20,000 on each side, it has been confirmed here.

A joint statement at the end of the meeting will set out the broad principles of Nato's negotiating stance

That means that the Pact nations, which are estimated to have more than 51,000 main battle tanks, including 37,000 for the Soviet Union alone, will be asked to reduce their force by more than 60 per cent, while Nato with some 22,000 tanks, would have to make a cut of only 10 per cent.

Anticipating a dramatic gesture by Mr Gorbachev during his visit to New York, Havana and London, Mr Manfred Wörner, Nato's Secretary-General, said here yesterday that, if Mr Gorbachev announced unilateral cuts in conventional forces, he would welcome them as steps in the right direction. But this would not require a similar gesture by Nato, since the principle had already been accepted that the Warsaw Pact would have to make bigger cuts for the two sides to come down to an equal ceiling.

A high level task force, which has been meeting in advance of the ministerial session here was also expected to approve the compromise reached by the US and France on the institutional link to be established between the conventional force talks and the wider Conference on Security and Co-operation in Europe (CSCE).

The formula adopted satisfies the French demand that the forthcoming negotiations should not be seen as a bloc-to-bloc exercise, but one with which the 12 neutral and non-aligned participants in the CSCE were closely associated. At the same time, it has been accepted by all sides that the neutral and non-aligned states will not be able to interfere in the substance of the negotiations.

Nato's comprehensive arms control concept, including the controversial issue of the modernisation of short-range nuclear weapons, originally due to have been adopted by the ministers by the end of this year, is not now expected to be ready until May or June next year. But Mr Wörner said that progress on the report had recently been good and that only one and a half out of five chapters remained to be completed.

The recently expressed willingness of Mr Helmut Kohl, the West German chancellor, to proceed with the modernisation of short-range nuclear weapons in the face of the opposition of Mr Hans-Dietrich Genscher, his Foreign Minister, has clearly contributed to a better atmosphere in the preparation of the report. However, Mr Wörner admitted that the situation was still "highly complicated."

The ministers are also due to adopt a report on the Alliance's policy towards Eastern European countries. The report is understood to underline the diversity of Eastern Europe and to recommend a differentiated approach to each of the member countries of the Warsaw Pact.

Nato assesses impact of the offer

By David White, Defence Correspondent

MR MIKHAIL GORBACHEV's announcement of large-scale cuts in troops and equipment, including those deployed forward in Eastern Europe, caught Western governments completely off-guard, although they had been expecting a gesture by the Soviet leader to seize the arms control initiative.

Initial reactions in the US and among the Nato allies was enthusiastic, but officials emphasised that they would have to analyse the figures in detail in order to assess their impact on the Soviet Union's military posture.

UK officials said the proposals were "very good news" if they were put into practice, but more would need to be learnt about exactly where troops were to be pulled back.

According to the latest Nato figures, the cuts would still leave Moscow and its allies with substantial superiority compared with Nato forces, both in manpower and in all main categories of land-based weapons in Europe west of the Urals.

The area from the Atlantic to the Urals is the focus of the planned new series of arms control negotiations, the Conventional Stability Talks, in which Nato is expected to demand even more drastic cuts in Warsaw Pact tanks, armoured vehicles and artillery in order to contain the potential for surprise attack or prolonged offensive action.

The UK officials said it was unclear what the implications of the Soviet gesture would be for the forthcoming arms talks, but that the unilateral cuts were not to be considered as part of the negotiations. "Let them get on with it if that's what they want to do," they said.

Nato, backed up by independent Western bodies such as the International Institute for Strategic Studies, has argued in recent months that Soviet deployments and the rate of arms production were showing no sign of matching Moscow's stated policy of moving towards a purely defensive military stance and the principle, invoked once again in Mr Gorbachev's declarations, of "reasonable sufficiency".

The cuts outlined by Mr Gorbachev would imply a reduction of almost 10 per cent in the Soviet armed forces overall in the next two years and, more important for the arms talks, a significant cut in the numbers in Eastern Europe, where 50,000 men and 5,000 tanks are to be pulled out of East Germany, Czechoslovakia and Hungary. Six tank divisions in those countries are to be disbanded. According to the IISS, Soviet ground forces in these three countries total 525,000, with 380,000 in East Germany alone.

Mr Gorbachev has also responded to Western complaints by announcing more specifically the withdrawal of assault landing troops and other formations ini cluding assault crossing units.

The impact of the force cuts was reinforced by Mr Gorbachev's proposal of a ceasefire in Afghanistan and the sending of a United Nations peacekeeping force, and by the announcement that a large portion of the estimated 55,000 Soviet troops stationed in Mongolia would be brought home – an important gesture to China.

Bringing out still further the flavour of sweeping change was the announcement – officially unconnected – that Marshal Sergei Akhromeyev, the Soviet Chief of General Staff, was retiring on health grounds.

Marshal Akhromeyev, who was instrumental in the Intermediary Nuclear Forces treaty under which the Soviet Union and the US are scrapping their medium-range land-based nuclear missiles, was one of the last members of the Soviet military establishment who served in the Second World War. The experience of that war has up to now provided ther basis for the Soviet military posture combining defensive and offensive capabilities.

The figures cited by Mr Gorbachev would mean a reduction in the number of Soviet tanks in the European part of the Soviet Union and in other Warsaw Pact countries from the 37,000 estimated by Nato to 27,000. In addition, the Soviet Union's Warsaw Pact allies are reckoned to have 14,500 tanks.

Soviet ground forces in Europe

North-western regional theatre

EAST GERMANY: 380,000
Group of Soviet Forces Germany
HQ Zossen-Wunsdorf
1 Group HQ, 5 Army HQs
10 tank divisions
9 motor rifle divisions
1 artillery division
1 air assault division
1 SS-12 brigade
2 Scud SS23 brigade
5 artillery brigades
5 attack helicopter regiments
100 mi-8 Hip helicopters
250 Mi24 Hind e helicopters
25 mi-8 Hip ECM helicopters
Some 20 transport helicopters
POLAND: 40,000 troops
Northern Group of Forces
HQ Legnica
1 group HQ, 1 Army HQ
1 tank division
1 motor rifle division
1 Scud brigade
1 attack helicopter regiment
120 Mi-8 Hip, Mi-24 Hind d/e helicopters
CZECHOSLOVAKIA 80,000 troops
Central Group of Forces
HQ Milovice
1 Group, 2 Army HQs
2 tank, 3 motor rifle divisions
1 air assault battalion
1 SS-12 brigade
2 Scud, 1 artillery brigade
2 attack helicopter regiments
100 mi-8 Hip d/e, mi-24 Hind d/e helicopters

South western regional theatre

HUNGARY: 65,000 troops
Southern Group of Forces
HQ Budapest
1 Army HQ
2 tank divisions
2 motor rifle divisions
1 air assault brigade
80 mi-8 Hip, Mi-24 Hind helicopters

Proposals given wide approval in West

By Lionel Barber in Washington and **Robert Mauthner** in Brussels

MR MIKHAIL GORBACHEV'S promise to cut his country's armed forces by 500,000 men, and to withdraw thousands of tanks from Eastern Europe, was hailed even in relatively hawkish quarters of the Western camp as a spectacular and positive gesture.

But US and British officials stressed that the cuts would leave intact what they regard as an overwhelming Warsaw Pact superiority in tanks and artillery in Europe.

Mr Marlin Fitzwater, the White House spokesman, described Mr Gorbachev's arms controls proposals as "very constructive" and said the US welcomed their unilateral nature.

A spokesman for Mrs Margaret Thatcher, the British Prime Minister, said: "Her first reaction was that she warmly welcomed the cuts in forces and armaments proposed by Mr Gorbachev as an important step towards securing a better balance of forces in Europe in view of the Soviets' present overwhelming superiority."

A British official said implementation of Mr Gorbachev's promises could cut the Soviet superiority in tanks and artillery in Europe to 2.5:1, compared with more than 3:1 at the moment. But officials in London, while speaking of a "potentially major development" said it would increase the importance of drawing to the public's attention the Soviet side's continuing superiority in conventional forces in Europe. A Nato spokesman said that Mr Manfred Wörner, the secretary-general, "welcomes any measure that may lead to long overdue reductions of overwhelming Warsaw Pact superiority in conventional forces in Europe.

"Mr Gorbachev's statement seems to be a step in the right direction for which we have been calling for a long time . . . we will be looking carefully for the follow-up."

Chancellor Helmut Kohl of West Germany was said by a spokesman to regard the speech an "important step in the right direction," and Mr Rupert Scholz, the country's Defence Minister, welcomed the initiative as a positive first move.

The Italian Foreign Ministry reacted gingerly, however, saying it was preferable that troop reductions should take place after an exchange of data and agreement on where exactly the East-West imbalances lay.

Western diplomats in Vienna, where a major new round of East-West talks on conventional arms is expected to begin early next year, said they would be looking closely at the age of the tanks to be withdrawn and at verification procedures.

British diplomats said the Gorbachev move appeared to be consistent with Moscow's earlier promise to change the deployment of its forces from offensive to defensive.

They said the initiative appeared to involved a cut of about 10 per cent in total Soviet troop strength. "Those are serious numbers in any language," said one official.

But he said the Gorbachev promises "still leave a lot of work" at the forthcoming Conventional Stability Talks (CST). He added that despite the current euphoria at the European security talks in Vienna, which must be completed before the CST can begin, there seemed little prospect of the 35-nation security talks being completed by Christmas.

Bush 'will find in us a spirit of realism and goodwill'

FOLLOWING are excerpts from the speech to the United Nations General Assembly by Mr Mikhail Gorbachev, the Soviet leader:

The Soviet Union has taken a decision to reduce its armed forces.

Within the next two years their numerical strength will be reduced by 500,000. The numbers of conventional armaments will also be substantially reduced. This will be done unilaterally, without relation to the talks on the mandate of the Vienna meeting (of the Conference on Security and Co-operation in Europe).

By agreement with our Warsaw Treaty allies, we have decided to withdraw by 1991 six tank divisions from the GDR (East Germany), Czechoslovakia and Hungary, and to disband them.

Assault landing troops and several other formations and units, including assault crossing units with their weapons and combat equipment, will also be withdrawn from the groups of Soviet forces stationed in those countries.

Soviet forces stationed in those countries will be reduced by 50,000 men and their armaments by 5,000 tanks.

All Soviet divisions remaining, for the time being, in the territory of our allies are being reorganised. Their structure will be different from what it is now; after a major cut in tanks it will become clearly defensive.

At the same time we shall reduce the numerical strength of the armed forces and the numbers of armaments stationed in the European part of the USSR. In total, Soviet armed forces in this part of our country and in the territories of our European allies will be reduced by 10,000 tanks, 8,500 artillery systems and 800 combat aircraft.

Over these two years we intend to reduce significantly our armed forces in the Asian part of our country, too. By agreement with the government of the Mongolian People's Republic, a major portion of Soviet troops temporarily stationed there will return home.

Mr Gorbachev also paid tribute to President Reagan and promised President-elect Bush that Moscow was ready to work for concrete results on the main issues of their agenda. He said the US and Soviet Union were accumulating experience for future bilateral and multilateral agreements. He went on:

We value this. . . we acknowledge and appreciate the contribution made by President Ronald Reagan and by the members of his administration, particularly Mr George Shultz.

The next United States administration headed by President-elect George Bush will find in us a partner who is ready – without long pauses or backtracking – to continue the dialogue in a spirit of realism, openness and goodwill, with a willingness to achieve concrete results working on the agenda which covers the main issues of Soviet-US relations and world politics.

I have in mind, above all, consistent movement towards a treaty on 50 per cent reductions in strategic offensive arms while preserving the ABM Treaty;

Working out a convention on the elimination of chemical weapons – here, as we see it, prerequisites exist to make 1989 a decisive year;

And negotiations on the reduction of conventional arms and armed forces in Europe.

Mr Gorbachev said that Moscow was prepared to order a moratorium of up to 100 years on debt servicing by the least developed nations. In some cases the Soviet Union was willing to write off debts.

Chief of Staff 'quit for health reasons'

By James Blitz

THE Soviet Foreign Ministry spokesman, Mr Gennadi Gerasimov, was insistent yesterday that the retirement of the Armed Forces Chief of Staff, Marshal Sergei Akhromeyev, was in no way connected with yesterday's announcement of cuts in Soviet troops by Mr Gorbachev.

Mr Gerasimov said that Marshal Akhromeyev, who is 65, will remain as an adviser to Gorbachev and that he retired purely for health reasons. Moreover, the Defence Minister, Marshal Dimitri Yazov, will remain in his post reducing speculation that the Soviet military is being purged.

Akhromeyev was appointed chief of staff in 1984 following the shooting down of a Korean airliner over Soviet territory in the Far East, replacing Marshal Nikolai Ogarkov.

He played a key role in developing the treaty to eliminate intermediate-range nuclear missiles.

During last December's Washington summit, he became the first senior Soviet military figure to be given a guided tour of the Pentagon.

Nonetheless, Marshal Akhromeyev's departure will almost certainly fuel speculation among western defence experts that Mr Gorbachev's troop cuts were carried out against the wishes of the Soviet military.

The Soviet General Staff has consistently argued that any cuts in forces in Soviet forces in the East Bloc must be part of multilateral negotiations rather than a unilateral move by Mr Gorbachev.

The Soviet military leadership believes that Nato's anti-tank forces in western Europe ensure a low level of survivability for Soviet forces. Marshal Akhromeyev is known to have argued that Nato's anti-tank weapons must be reduced in conjunction with a reduction in Soviet forces.

Dr Christopher Donnelly, a Soviet military expert, yesterday told the House of Commons Foreign affairs Select Committee that the Soviet General Staff will almost certainly be overhauled in the near future and that a "showdown" between the Party and the military is inevitable.

The Committee was told that the Soviet General Staff is aware that it remains subordinate to the Communist Party in broad strategic decisions, and that over the next year the military leadership will have to confine itself to arguing to retain each of the army's specific tactical posititions in Central Europe.

AMERICAN NEWS

Tax rise needed says leading House Democrat

By Stewart Fleming, US Editor, in Washington

MR Dan Rostenkowski, the Democrat chairman of the US House Ways and Means Committee which has prime responsibility for tax legislation, has said that he has no doubt that a tax increase will be needed to reduce the Federal Budget deficit.

Mr Rostenkowski has also indicated his preference for increasing the tax on petrol significantly, by as much as nine cents on the gallon, to raise an estimated $9bn for Federal revenues. This proposal has also drawn support from Mr Alan Greenspan, the Federal Reserve chairman.

Mr Rostenkowski says any increase in taxes must be earmarked for deficit reduction.

The public support which Mr Rostenkowski expressed for a tax increase on Tuesday before a meeting with Mr Bush and a subsequent session with Mr Richard Darman, who has been named by Mr Bush to be the next director of the Office of Management and Budget, is particularly noteworthy.

In the past Mr Rostenkowski has not tried to play a particularly visible role in budget negotiations, but his aides say that this is now changing.

In part this may reflect the change in personnel in the House. Mr William Gray, who has been chairman of the House Budget Committee and the most visible party spokesman on budget issues, has moved on from that job to take over as chairman of the House Democratic caucus, leaving a gap which Mr Rostenkowski seems poised to fill.

It is not just the constitutional provision which provides that tax bills originate in the House, and in practice therefore in the Ways and Means Committee, which accounts for the influence which Mr Rostenkowski can have on fiscal policy. In addition the Ways and Means Committee has responsibility in the House for legislation dealing with major Federal spending entitlement programmes such as Medicare and Social Security.

In the second Reagan Administration Mr Rostenkowski focused his energy on working with the then Treasury Secretary, Mr James Baker, and Mr Darman, then deputy Treasury Secretary, to secure passage of tax reform legislation.

Mr Darman has indicated that entitlement programmes are an area where he will look for spending cuts, so this coupled with Mr Rostenkowski's tax legislation responsibilities will bring the two men together again as negotiating partners and adversaries.

Mr Rostenkowski clearly admires Mr Darman's intellect but, judging from a comment he made on Tuesday, not always the way he puts it to work. "Darman is very bright but he isn't always right," he told reporters.

His public support for a petrol tax, and his outspoken conviction that tax increases will be needed to reduce the budget deficit, will put increased pressure on President-elect Bush to explain why he will not abandon his pre-election pledge on the budget issue, "Read my lips, no new taxes".

It also puts added momentum behind the petrol tax option.

US lifts ban on cluster bombs for Israel

By Nancy Dunne in Washington

THE US has removed a six-year ban on the sale of cluster bombs to Israel after pledges by Tel Aviv not to use the weapon in civilian areas, the State Department said yesterday.

Cluster bombs are munitions dropped by planes or fired by artillery which discharge before impact, sending smaller "bomblets" over a wide area.

Generally, they are designed as defensive battlefield weapons when troops are not advancing.

Their use by Israeli planes over Beirut in 1982 brought expressions of outrage in the US, and the Reagan Administration responded with the embargo.

A State Department spokesman said Israel's defence needs must be treated separately from the peace process.

Israel, is seeking both to restock its supply of the bombs and eligibility for the purchase of other, more advanced military systems based on cluster technology.

Israel has been unable to buy these systems because of the ban.

Ms Maria Segal, assistant to the president of the National Association of Arab Americans, yesterday called the removal of the ban "a sad decision". "Judging by the way the Israelis are handling the *intifada* (uprising) they don't seem to have developed any more responsibility for human life than during their invasion of Lebanon," she said.

The Israeli Embassy declined to comment on the lifting of the ban.

Leftist leads Brazilian presidential poll

By Ivo Dawnay in Rio de Janeiro

MR LEONEL BRIZOLA, the former governor of Rio de Janeiro, has emerged as the frontrunner in Brazil's race for a new president in the first major poll since nationwide municipal elections on November 15.

According to research in 10 leading regional capitals, the veteran left-wing leader of the Democratic Workers' Party (PDT) won 24 per cent of voters' preferences ahead of 17 per cent for Mr Luiz Ignacio Lula da Silva, the president of the socialist Workers' Party (PT) that had unexpected victories in several big cities, including Sao Paulo.

In third place in the Folha de Sao Paulo newspaper poll came Senator Mario Covas of the centre-left Social Democrats (PSDB) with 15 per cent, well ahead of a group of centre and rightwing candidates all with less than 10 per cent.

The dominance of the leftwing hopefuls is weakened substantially, however, when researchers put the hypothetical question that two possible candidates – Mr Silvo Santos, a leading television personality, and Mr Antonio Emirio de Moraes, a businessman, might also run.

In those circumstances, Mr Santos, who is being urged to contest the elections by rightwingers, would capture 19 per cent of the vote, and Mr Emirio, 11 per cent, with both Mr Brizola and Lula, as the PT president is universally known, dropping back.

The poll comes as an encouraging start for the PDT which won some significant support in the municipal elections. Mr Brizola, regarded by his critics as long on charisma in the old *caudillo* strongman tradition but short on policies, is said to have welcomed the PT's success last month.

It means that efforts by his opponents to portray him as the left-wing bogeyman will now be diluted.

In the aftermath of the polls, he has attempted to harness hostility to the strong radical element within the Catholic church by claiming that activist priests played a big role in getting out the PT's vote.

"I view the church's adoption of a political party with concern," he said, provoking rapid denials from the National Conference of Bishops of Brazil, the principal Catholic authority.

Commentators have claimed that Mr Brizola has moved rapidly to the right in the last few weeks, holding meetings with leading businessmen and senior military officers in a bid to assuage fears that he would move the country sharply to the left.

Hard line taken on fiscal deficit

By Ivo Dawnay

THE BRAZILIAN Government has tabled what is probably the toughest package of fiscal measures in the nation's history in an assault on the public sector deficit – widely viewed as the most serious single element behind the country's rampant inflation.

It aims to turn this year's deficit, expected to equal 3.8 per cent of a gross domestic product of about $350bn into a surplus of revenues over spending in 1989.

Congress, which has been discussing the adjustment programme for some time, now has just until the end of next week to approve or adjust the package. However, under the new constitution, it may not make any changes that involve additional expenditure.

Despite the rigour of the new austerity plan, however, several proposals for savings made by Mr Mailson da Nobrega, the Finance Minister, have been dropped after pressure from ministers, state governments and sectoral lobby groups.

The ministry is also still at loggerheads with state governors over its requirement that 25 per cent of the total interest and principal falling due on their foreign debts must be paid to the Central Bank.

Trade unionists, who have examined the fiscal package in the context of Brazil's social pact on wages and prices, have expressed doubts over elements in the adjustment proposals.

In particular, there is widespread scepticism that the Government will achieve an increase in its tax revenues by some 45 per cent – much of it coming through more careful policing of tax returns.

Among the measures are:

- Increases in taxes, accounting for over one per cent of GDP, with a new charge of 8 per cent on companies and 12 per cent on financial institutions for social and welfare provisions.
- Tighter inflation indexing of tax returns with a reduction in the grace period to one week, after which adjustments will take place.
- A review and reduction of subsidies and fiscal incentives.
- Acceleration of the selling of minority shareholdings in state companies and the disposal of the activities of various government agencies to the private sector.
- The privatisation of the Government's wheat marketing operations.

The package has exempted several key interest groups from its attack on subsidies and incentives, including the North-east and Amazon development regions and the export sector.

A question mark remains over what procedures would follow an outright rejection of the measures by Congress, or adjustments deemed by the Government to mean additional budgetary costs.

As the constitution only came into force in October, many procedural aspects of the budget-making process are operating in a vacuum without a body of precedent for either legislators or the executive.

Sales recovery fails to please Brazil carmakers

By John Barham in Sao Paulo

BRAZILIAN car companies are disappointed with their sales this year despite a vigorous recovery. The industry expects domestic sales to increase by 26 per cent to about 750,000 vehicles, and exports to fall 7 per cent to 320,000.

Mr Andre Beer, an industry spokesman, said output was still lower than in 1985 and 1986 and the industry had only begun to make good last year's disappointing performance when domestic sales were the lowest in a decade.

Despite an increase in export revenue, the industry complains that foreign sales have suffered a setback this year. Foreign sales are likely to rise by 11 per cent to $3bn over last year's $2.7bn.

But, it says the currency has become overvalued, undermining exports. It claims costs have risen 30 per cent above the inflation index, which determines the rate of the crawling peg devaluation.

MONTREAL TRADE TALKS

Lack of decision 'disastrous for farm trade talks'

By William Dullforce in Montreal

A WARNING that lack of decision in the agricultural negotiations would be disastrous for international trade was issued in Montreal yesterday by the International Policy Council on Agriculture and Trade (IPC), as trade ministers entered the third day of their talks still deadlocked over agriculture.

Lord Plumb, the British president of the IPC, said lack of decision would cause "dangerous uncertainty" between trading partners about medium-term intentions on agricultural policy. Nobody won trade wars, he added.

Members of the IPC are 27 leaders in farming groups, business, banking and government from the US, the European Community, other farm exporting nations and developing countries.

In September, they appealed to trade ministers to agree to at least a 50 per cent across-the-board reduction in trade-distorting farm supports during their mid-term review of the Uruguay Round.

The review is blocked by the US demand for a commitment to long-term elimination of all trade-distorting farm support. The EC is refusing to make that commitment.

A "deposit" had to be made at Montreal on the future account of long-term real reductions, Lord Plumb said.

Recent falls in surplus stocks of cereals, dairy and other products have been seen as taking some of the urgency out of the farm issue, but Lord Plumb said this was no time to make threats and counter-threats.

US officials have warned that the US Congress could revert to protectionist thinking over agriculture, if the US demand for a long-term commitment is rejected. The terms of the new US Farm Bill to be written by Congress next year would be strongly influenced by the decision in Montreal, they said.

THE European Community is insisting that changes to Gatt's dispute settlement procedure should not include elimination of the right by parties to a dispute to block formal adoption of panel findings, Peter Montagnon writes.

It has refused to accept a proposal backed by several other participants that voting in the Gatt council on dispute panel reports should be based on consensus excluding the countries involved.

Mexico intends to pursue long-term agreement with US

By Peter Montagnon

THE new Mexican Administration wants a comprehensive trade agreement with the US in the long term, but will not follow Canada's example by seeking a formal agreement now, Mr Jaime Serra Puche, Trade Minister said in Montreal.

Mexico and the US were economies with a very different level of development and it would be impossible to move straightaway towards a US-Canadian type of agreement, he added.

Instead, Mexico, which struck a framework trade agreement with the US last year, would seek to develop special sectoral accords in order to develop trade with the US in areas such as cars, textiles and steel.

These would form building blocks towards a future comprehensive agreement.

As part of this process, it was considering changes in the automotive sector to relax local content rules in such a way as to be able to encourage fresh foreign investment.

Mexico would also analyse its trade restrictions in the computer sector in order to see whether import restrictions could be lifted. However, so far the government had not yet made any decisions in this respect.

Mr Serra said that the Mexican government's reluctance to seek a full-scale trade agreement with the US in the short term would apply even if the Uruguay Round failed, leading to a worldwide tendency for the trading system to split into blocs.

Mexico is a relative newcomer to Gatt – becoming a full contracting party only in 1987. It has, however, since developed into a keen player in the Uruguay Round.

Mr Serra said "it would be a big mistake", if ministers failed to make substantial progress at the Montreal meeting.

Although membership of Gatt had forced some painful restructuring on the Mexican economy, it had also lent domestic credibility to its trade policy and given it access to the multilateral negotiating forum, he declared.

Gatt membership had also helped Mexico increase its non-oil exports from \$4bn (£2.2bn) in 1982, when the debt crisis broke, to a projected \$14bn this year.

Third World still unhappy over import barriers

By William Dullforce and Peter Montagnon

INDUSTRIAL countries may have been hoping for a show of gratitude from the developing world for their agreement last Monday to lift barriers on imports of tropical products, but as trade ministers continue their negotiations in Montreal this week, it has become clear that many of their supposed beneficiaries are still far from happy.

Not only do several regard the tropical products agreement which covers some \$25bn (£13.8m) to \$30bn in export turnover as smaller than they might have hoped for. They fear it is being used to disguise a stark lack of progress in another area dear to their hearts – liberalising trade in textiles.

Tropical products and trade in textiles have long been regarded as benchmark indicators of the willingness of rich countries to open their markets to products in which developing countries can compete.

But even before the trade ministers' meeting this week, the main trading powers – the US, European Community, Canada and Japan – agreed in Montreal they were not prepared to phase out the much-despised Multi-Fibre Arrangement which governs world trade in textiles and clothing.

The recriminations from the developing countries have been bitter. Mr A. Qazi, deputy chairman of the Pakistan Planning Commission, said starkly at a plenary session: "It is simply not worthwhile for us to participate in the multilateral trade negotiations if the restrictions imposed under the MFA are not addressed in the Uruguay Round."

Industrial country delegates have been seeking to isolate Pakistan by saying that textiles is its sole interest in the Round, but other countries have come to its support.

Mr Dinesh Singh, Indian Commerce Minister, described textiles as a typical example of an industry in which they could become competitive, so the barriers of the MFA should be done away with.

A meeting of Third World ministers grouped in the International Textiles and Clothing Bureau insisted that the textile sector should be integrated into the Gatt during the Uruguay Round.

For the US, such demands remain highly sensitive politically, even though the Reagan Administration successfully vetoed fresh textile legislation this year.

Mr Willy de Clercq, EC Trade Commissioner, has meanwhile declared that Europe cannot set a timetable for the integration of textiles into normal Gatt disciplines for trade in goods.

European trade officials add that concessions on textiles should be matched by agreement to improve market access from the more advanced developing countries in South-east Asia, such as South Korea, as well as an end to counterfeiting of luxury labels by Third World producers.

The mandate for the Uruguay Round, agreed in Punta del Este, talks only of formulating modalities that would permit the eventual integration of this sector into Gatt, Mr de Clercq said.

As a result, both the US and the EC have been trying to keep the language of the final communique on textiles as weak as possible, offering simply "progressive and gradual" integration into Gatt.

According to one developing country negotiator, the result is that poor countries are being asked to pay twice over for concessions they make during this week's meeting.

Concessions on tropical products were simply the fulfilment of a promise made in Punta del Este when the Uruguay Round was launched, the negotiator went on. It was not fair to use this week's agreement on tropical products as a bargaining chip to ask for more.

Textiles, the trade in which runs to \$182bn (£90bn) a year, were more important in aggregate than tropical products. Developing countries could still decide to block agreements in other areas this week in Montreal.

The objective of developing countries has been to establish clear guidelines for substantive negotiations over the next two years.

Meanwhile, Mr Barber Conable, World Bank President, singled out the MFA, which expires in 1991, as one of the particular protectionist sins of the industrial world.

Pressmen grapple with Gattspeak's AMLOBs

By Peter Montagnon

IF SOMEONE says to you here that your AMLOBS are small, he is probably paying you a compliment.

For AMLOBS in Gattspeak stands for "aggregate measurement of output based support" which in ordinary English means little more than total subsidies paid to farmers for what they produce.

Veterans of trade meetings admit that Gatt's desecration of the English language has reached new heights in the Uruguay Round of multilateral trade negotiations.

Most strollers in the walkways of Montreal speak French anyway. But even English speakers must be mystified by snatches of conversation such as: "I've spent the evening with de la Paix on FOGS."

That means: "I've spent the evening with my partners in the group of countries which meet regularly in the Hotel de la Paix in Geneva discussing the functioning of the Gatt System."

To help uninitiated members of the press, the Gatt Secretariat has produced a special glossary of Gattspeak, where "bindings" are fixed tariffs and "TRIMS" Trade-Related Investment Measures.

Even the Secretariat has evidently had difficulty with the word PAG for which it offers the succinct definition "price adjustment gap (Australia) based on the ERA concept".

Yet Gatt's addiction to its own arcane language has its serious side. It is a measure of the complexity of the subject matter with which it deals, but it does make an organisation dedicated to opening up the trading system seem rather inward-looking.

Perhaps someone should form a group to liberate the English language from the clutches of Gatt.

I would call the group "Preservation of Most Proper and Ordinary Use of Speech," but that would quickly go down in the Secretariat's glossary as POMPOUS.

Arafat gives Israel explicit recognition

By Robert Taylor in Stockholm

MR Yassir Arafat, the chairman of the Palestine Liberation Organisation, spelled out in the clearest terms yesterday his acceptance of Israel's right to exist.

But Mr Arafat vowed that the year-long Palestinian uprising in the Israeli-occupied territories would continue until an independent Palestinian state was established.

Addressing a press conference after two days of talks with a group of five American Jewish peace campaigners, Mr Arafat said that the Palestinian National Council, the PLO's top policy-making body, "accepted two states, a Palestinian state and a Jewish state, Israel."

After the statement, the US delegation said there should now be a "direct dialogue" between the US government and the PLO on how to achieve peace in the Middle East.

The leader, Mrs Rita Hauser, a senior Republican who was Mr Robert Dole's campaign manager in this year's presidential primaries, said that Mr Arafat had "cleared up the ambiguities" that remained after the PLO's Algiers declaration last month.

President Reagan said yesterday, however, that the US wanted to review the remarks made in Stockholm before reacting to them.

In Jerusalem, a media adviser to Prime Minister Yitzhak Shamir dismissed Mr Arafat's acceptance of Israel as a publicity stunt.

"It is very sad that a group of American Jews is engaged in negotiations with a terrorist organisation whose aim was and remains the replacement of Israel by a Palestinian state," the adviser said.

In a document issued at the press conference the PLO leadership also said that it "declared its rejection and condemnation of terrorism in all its forms, including state terrorism". It added that the PLO was ready to "enter into peace negotiations at an international conference under the auspices of the United Nations with the participation of the permanent members of the Security Council".

The US Jews at Stockholm said that they "strongly supported and applauded" the PLO's position, and "felt there was no further impediment to a direct dialogue between the United States government and the PLO".

● Victor Mallet adds from Damascus: Syria yesterday criticised Mr Arafat over his recent more moderate approach on Israel, accusing him of gambling away the future of the Palestinians by making concessions which were unlikely to be reciprocated by Israel or the US.

"The more concessions the Palestinians or the Arab side give to the Israelis, the more intransigent the Israelis become," Mr Farouq al-Sharaa, the Syrian Foreign Minister, said.

Although Iraq, Jordan and Egypt are attempting to gather international support for Mr Arafat, Syria wants to ensure that its own hardline demands are incorporated into any Middle East peace settlement.

Shevardnadze: to meet Aquino

Soviet team to visit Manila

By Richard Gourlay in Manila

MR Eduard Shevardnadze, the Soviet Foreign Minister, will lead a high-level team to the Philippines on December 21 in an attempt to improve relations with Washington's most important south-east Asian ally.

During two days of talks Mr Shevardnadze will meet President Corazon Aquino to discuss global and regional security and economic co-operation, Soviet officials said yesterday. More importantly, according to western diplomats, he is expected to repeat an invitation for Mrs Aquino to visit Moscow before or during 1989 negotiations between Washington and Manila on the future of US military bases in the Philippines. Mrs Aquino has not indicated that she is ready to set a date for a visit to Moscow.

The Shevardnadze visit is part of the Soviet Union's renewed drive to improve diplomatic and economic relations in Asia, which has remained largely in the US camp despite the upheavals in Indochina as a result of the Vietnam war. Mr Shevardnadze will be returning from Tokyo after two days of talks with his Japanese counterpart.

Some south-east Asian countries that have enjoyed protection under a US umbrella provided largely from the Philippines are concerned that Manila's commitment might waver in the face of Moscow's diplomatic efforts.

A trade agreement is unlikely to be signed during the visit, observers say, adding that Manila might be replaying the Soviet card that it used during bases negotiations in the 1970s to try to extract better terms from Washington.

Recently, however, the Soviet Union appears to have moved closer to economic ties with Manila than at any time since diplomatic relations were established in 1976. Diplomats and officials said the Soviet Union might be close to signing a ship repair agreement, similar to that operating in Singapore.

Mr Raul Manglapus, the Philippines Foreign Secretary, visited Hanoi last month in what was widely seen as the latest effort to strengthen contacts with the eastern bloc and Communist countries.

Bankers seek debt relief for kibbutzim

By Andrew Whitley in Jerusalem

ISRAEL'S kibbutzim – the rural communities at the heart of the state – are in acute financial difficulties, threatening their existence as independent socialist collectives, quite apart from the well-being of the local banking system.

Economists' estimates of their accumulated debt to Israel's commercial banks, much of it in the form of compounded interest, range as high as Shl 7bn (£2.4bn). This is equivalent to more than a quarter of the national foreign debt.

In an unpublicised emergency meeting on Tuesday, government officials and top bankers attempted to thrash out a temporary solution for the kibbutzim, to hold the issue over until next year. By then a new government capable of taking the difficult decisions required over Israeli agriculture should be in office.

The meeting was chaired by Mr Amiram Sivan, managing director of Bank Hapoalim, the Labour Federation-owned bank with the largest exposure to farmers. Bankers say it was the refusal of smaller financial institutions to co-operate which blocked any agreement. The country's two largest banks – Hapoalim and Leumi – had agreed last month to a full-scale rescheduling of all medium and long-term kibbutz debt currently falling due.

Under the terms of this rescheduling the two largest federations of kibbutzim will only pay interest on their debt. But even this is apparently not enough to keep their heads above water, judging by the latest request for an unspecified amount in additional loans from the banks. Calculations made by kibbutz officials show that out of their annual output of approximately Shl 4.5bn, only Shl 350m is left to service the debt.

Members of the kibbutzim – socialists who, paradoxically, form a social elite in the country and are responsible for a much greater share of national output than their small numbers would warrant – argue that they are not to blame for their plight. The root cause of the problem is traced back to the hyper-inflation which ended in mid-1985.

Tokyo to investigate chemicals export to Moscow

By Ian Rodger in Tokyo

THE Japanese Government is going ahead with an investigation of a chemical company for illegally exporting sensitive chemicals to the Soviet Union despite the impact it may have on the planned visit of Mr Eduard Shevardnadze, the Soviet Foreign Minister, to Tokyo this month.

Police yesterday raided the Osaka headquarters of Daikin Industries, a leading chemical company specialising in air conditioning equipment and chemicals for the semiconductor industries. This followed charges placed by the Ministry of International Trade and Industry (Miti) that the company had exported 858.9 tons of highly pure liquid halon to the Soviet Union without proper authorisation between February 1986 and May 1987.

Halon, or dibromotetrafluoroethane, is used as a fire extinguishing agent for chemical plants and fishing vessels and as a washing agent in semiconductor production. However, in highly pure form, its solvent is used in precision machinery, including guidance systems for weapons, and it is one of the products whose export to Eastern bloc countries is prohibited under the Western allies' Co-ordinating Committee for Export Control (CoCom).

Daikin said it had sent a highly pure form of the chemical to the Soviet Union by mistake. Impurities were to have been added. Officials claimed it had been shipped for non-military purposes, but admitted they had filed false reports to Miti on its purity.

Miti said it had consulted with the Foreign Ministry on possible consequences for the Shevardnadze visit before pursuing Daikin. It hopes that by the time he arrives, the picture will be clear.

Japan's relations with the Soviet Union soured early last year when it curtailed sales of machine tools to the Eastern bloc by Toshiba Machine after it had been revealed that the company had exported sophisticated machine tools to the Soviet Union in violation of CoCom.

Last night, Mr Yoshihiko Kubouchi, a vice-president of Daikin, resigned to take responsibility for the incident. Mr Minoru Yamada, president, apologised publicly for the incident and said he would cut his salary by 10 per cent for three months. The salary of the company's marketing director, Mr Kiyoshi Shinohara, would be cut by 10 per cent for six months.

Taiwan's Government loses gambling game

Chinese are finding ways to take a risk despite state obstacles, reports Bob King

THE CHINESE, it is said, will gamble on anything: the fall of mahjong tiles, cricket fights, or whether the last digit on the number-plate of the next car down the street is odd or even.

The Chinese in Taiwan are no exception – to the despair of the island's Government. Over the past couple of years, it has had to contend with wrecked production schedules and jammed phone exchanges as Taiwanese punters forsake work to seek tips and results on a variety of technically illegal multi-million dollar numbers games.

Even the stock market has come in for blame. Manufacturers say that even at higher pay scales they cannot find workers. Their explanation is that Taiwan's workers are more attracted by the chance of easy money on chaotic fluctuations of share prices and gambling schemes than by the time-honoured tradition of a day's pay for a day's work.

Statistics to quantify the extent of the phenomenon are hard to come by. The Interior Ministry cannot help. Nor can the National Police Administration, which in turn passes the buck to Taipei City Police headquarters – they had no information on the subject either. The only statistical data is indirect. Economists note that the amount of money in circulation declines at times that correspond with heavy betting periods, and that retail sales rise after results of the games are announced.

The official Directorate-General of Budgeting, Accounting, and Statistics is equally cagey. It says that stock dealings and underground transactions "might" be related to a significant drop in the labour participation rate during the third quarter of this year. It also noted that the agricultural and manufacturing labour forces shrank by 9.57 per cent and 0.66 per cent, respectively, while participation in the service sector – including finance and investment – increased by 5.21 per cent.

But, if street-talk is any indication, interest in the gambling games is of epidemic proportions. The craze began simply enough. A few years ago, some enterprising people hit on the idea of side-bets on the officially-sponsored Liberty lotteries for which draws took place twice a month. They began collecting bets on which numbers would be drawn in the official lottery – *Da-jya Le* (Happiness for Everyone) was born. On paper, *Da-jya Le* offered punters a better chance of winning than the official lottery. Tipsters and temples did rather well; the public implored the gods (and paid many a fortune-teller) to tip the winning numbers.

Despite the game's upbeat title, not everybody was happy. Sometimes disgruntled losers returned to even the score with mischievous gods who they felt had misled them: idols were reported smashed, burned, or stolen.

Daniel Green

Chinese passion for gambling continues outdoors even in winter

The big loser, however, was industry. Manufacturers complained that many of their workers simply took the day off when draws were scheduled, wreaking havoc with production and delivery schedules. Excitement also ran high on days before the draws, cutting productivity.

Social costs have been high. People often committed their family or company assets to the turn of fortune. Some turned to crime to repay "Happiness" debts when the gods did not smile.

Government, beset by businessmen and newspapers, reacted by cancelling the Liberty Lottery. But while this has become history, Hong Kong's Mark Six Lottery, the results of which are published in Taiwanese newspapers regularly, has taken its place. Taiwanese punters now place their bets with their bookies in Hong Kong, or Taiwan itself, to the increased detriment of both industry and telecommunications capacity. "I tried to call Taipei from Kaohsiung [the southern port city] a few weeks ago, and it took me several hours to get a line," recalls a European businessman. "The hotel operator told me I had chosen the wrong day: the exchanges were jammed by betters calling their bookies to place bets or ask for results."

Government now faces the embarrassing choice of either doing nothing, despite its earlier moves to kill off the number supply, to admit its mistake in trying to dam up Taiwan's propensity for gambling, or of offering an acceptable alternative. Certainly, the stock exchange's boom-and-bust of the past several months has given investors a roller-coaster ride of risk. But gambling in its barest sense continues to capture the Taiwanese imagination and entrepreneurs have not been slow to capitalise on it.

For instance, a passenger liner now plying the Keelung-Hong Kong route offers a floating casino as one of its attractions. Canny businessmen have been pressing the Government to allow horse-racing here. And on the drawing board is a multi-million dollar construction on an island a few miles off the north-east coast where planners hope to offer gamblers a miniature Macau within a few years.

US may cut forces in South Korea

By Maggie Ford in Seoul

US policy makers are considering how to reduce the country's military presence in South Korea without provoking threats from the communist North or instability on the peninsula, according to a Western diplomat.

Washington has stationed 43,000 troops with conventional and reportedly nuclear weapons in the south since the Korean War in the 1950s.

Moves towards the change in policy are thought to result from the pressure on defence costs arising from the US budget deficit, along with a persistent rise in anti-Americanism in part stimulated by the mood towards democracy in South Korea.

The official said that the US saw advantages in military talks between North and South Korea, leading to verification and confidence building measures. Such talks, under certain conditions, might be agreed soon, he said. The two sides have had practically no official contact for more than 30 years.

Separately, Mr George Shultz, the US Secretary of State, was yesterday quoted in a Japanese newspaper as saying that the US was prepared to talk to Pyongyang on any subject in a mutual setting to try to end North Korea's isolation from the international community.

Mr Gaston Sigur, US Undersecretary of State for Asian Affairs, has recently met his Soviet counterpart, Mr Igor Rogachev to discuss Korea and the diplomat said Moscow might have a role to play in any change. The Soviet Union, with China, had made a contribution to stopping terrorism during the Seoul Olympic Games, he said, and Moscow could assist in building confidence between North and South.

The discussions in Washington coincide with the launch by South Korean President Roh Tae Woo of his "Nordpolitik" policy, under which the country has pushed for relations with Eastern bloc countries.

The official indicated that no precipitate US withdrawal of troops was contemplated, noting the serious instability that this had provoked in the past.

But the US remains under pressure to defend what is seen as its role under past military dictatorships in South Korea. Televised parliamentary hearings are investigating the 1980 killings in the provincial city of Kwangju in which at least 200 people died.

Both the then US ambassador to Seoul and the general who was head of the combined command of the US and South Korean forces are to supply written answers to the hearing. The US has been accused of involvement in sending troops to the city by virtue of its senior command role.

Moderate Sikhs attempt unity

By David Housego in New Delhi

THE MOST hopeful signs in months of a rallying of moderate political opinion in the Punjab against terrorism has emerged with steps taken by the Akali (Sikh) leadership to end the differences that have paralysed their movement.

The most dramatic demonstration of the new search for unity within the Akali movement – the mouthpiece for moderate opinion – was an almost medieval ceremony that took place in the Golden Temple, the Sikhs' most famous shrine, in Amritsar on Monday. Mr S.S. Barnala, the former chief minister of the province and leader of a major splinter movement, was received back into the Sikh faith after almost two years of excommunication.

Mr Barnala was excommunicated during a period when terrorist influence over the temple was strong for his insistence that terrorists should not be given refuge within its walls. In 1986 he had also authorised the police to enter the temple in pursuit of terrorists.

Mr Barnala would not have accepted a humiliating spectacle of penance if he had not seen it as serving his goal of ending the main divisions within the Akali movement. Among numerous contacts that have taken place in recent days among Sikh leaders, Mr Barnala has had meetings with Mr J.S. Talwandi, the leader of the "Unified" Akali Dal (UAD), the main wing of the movement. Mr Talwandi was nearly killed by Sikh terrorists last week in an assassination attempt intended to intimidate moderate leaders.

The immediate effect of the latest moves towards reconciliation is to widen the gap between the moderate Sikh politicians and the extremists who see violence as a political weapon. Attacks on moderate priests and politicians suggest the terrorists are nervous of a movement of opinion to the moderate camp. The security forces are still far from their goal of reducing terrorism to manageable proportions.

The first test of whether the new step towards Akali unity will provide building blocks in the search for a political settlement will emerge in the coming days. Mr Rajiv Gandhi, Prime Minister, has called for a meeting with opposition leaders of the Punjab. It is not clear whether the Akali leaders will be invited and what their attitude will be.

Bhutto pardons political prisoners

PAKISTAN'S new government has announced a general amnesty for political prisoners, the release of all women prisoners not on murder charges, and commuted death sentences to life imprisonment, writes Christina Lamb in Islamabad.

According to Mr Aitzaz Ahsan, the Law Minister, 17,000 prisoners will benefit from the measures announced by Ms Benazir Bhutto, the Prime Minister and herself a former political prisoner. Mr Ahsan said more than 2,000 people faced death sentences.

All those convicted by military courts will be released except those on charges of murder, fraud, narcotics, smuggling and rape, whose cases will be reviewed by a special committee. Those imprisoned by military courts in absentia will be pardoned. Many exiles are expected to return.

Mugabe intervenes on corruption

PRESIDENT Robert Mugabe of Zimbabwe, facing public unease about corruption, warned yesterday that excessive criticism would take the country on a slippery slope to anarchy, Reuter reports from Harare.

In a state of the nation address to parliament, Mr Mugabe attempted to cut short a national debate over corruption in the ruling Zanu-PF party. "Party matters are not for debate in parliament but in the party forum," he said.

Mr Mugabe said corruption was illegal and those who practised it would be prosecuted and punished. But he said breaking the law was not to be confused with breaking the party's internal guidelines, known as the leadership code.

The code, which limits acquisition of wealth by senior party members, has not been enforced despite frequent promises by Mr Mugabe.

The current debate was sparked by an anti-corruption demonstration by students in Harare in September, which led to a government backlash.

Trade minister pledges £45m Government package to cushion impact on Sunderland

North East Shipbuilders closure confirmed

By Philip Stephens, Political Editor

NORTH EAST Shipbuilders, the Sunderland subsidiary of British Shipbuilders, is to close with the loss of more than 2,000 jobs after its failure to find a private sector purchaser for the business, the Government confirmed yesterday.

Announcing the decision in the House of Commons, Mr Tony Newton, the Trade and Industry Minister, said the Government would cushion the impact on employment in the area with a £45m package of measures to promote new industries. The NESL yards will begin to close early next year.

The package includes the creation of an enterpise zone, the provision of factory space and a series of separate measures to provide financial support for new businesses and to assist in retraining NESL employees.

Mr Newton said that none of the private sector proposals examined by the Government over the past few months could form the basis for "a viable future for merchant shipbuilding in the Sunderland yards."

His statement, which follows months of discussions between the DTI and prospective purchasers, brought an angry repsonse from the opposition Labour Party, which demanded that the Government keep the yards open under state ownership.

Mr John Garrett, Labour's industry spokesman, said that the closure would devastate Sunderland's economy. In all, more than 5,000 jobs in the local economy could eventually be lost as a result of the decision in an area which already had 20 per cent unemployment.

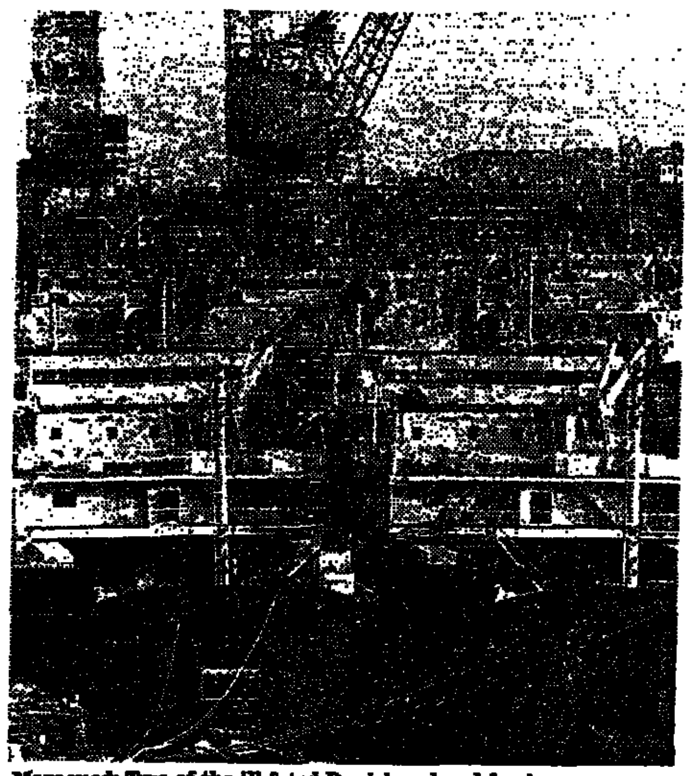
He added that the modern, high-technology yard was in a good position to take advantage of the upturn in the world shipbuilding industry. He said an order worth £110m was available from Cuba to keep the yard in work, but that instead it was being sacrificed in an "act of industrial vandalism."

Amid angry scenes in the Commons, Mr Chris Mullin, the Labour MP for Sunderland South, accused Mr Newton of "murdering" the town.

Mr Newton, however, said that none of the potential bidders had provided evidence of sufficient financial resources to keep the yards open given the uncertain outlook for the world shipbuilding industry. In all, the Government was contacted by 13 potential bidders following the announcement in April that the yard was for sale.

The DTI also believes that the large subsidies needed if the yard had won the Cuban order would have fallen foul of European Community regulations.

Referring to the progress in the sales of other yards owned by British Shipbuilders, Mr Newton said that agreement was now close for the sale of Clark Kincaid in Greenock and of the Appledore Yard in North Devon. Talks were under way for the sale of the Ferguson Yard at Port Glascow.



Marooned: Two of the ill-fated Danish ordered ferries

At the same time he had accepted the advice of British Shipbuilders that the preferred bidder for Marine Design Consultants should be a team led by their managing director. Detailed negotiations could now get under way.

In Sunderland, British Shipbuilders had been asked to make "every effort" to explore the possibilities for selling Sunderland Forge Services, which currently employs nearly 400 people. Interest had also been expressed in one of the NESL yards for purposes other than shipbuilding.

The establishment of a new enterprise zone in Sunderland is expected to cost the Government around £25m over 10 years and will include provision for relief from property taxes, simplified planning procedures and 100 capital allowances.

An additional £7m will be spent on 220,000 square feet of factory space to be built by English Estates and £10m would be spent on financial support for new enterprises and on retraining NESL employees.

Richard Donkin adds: Mr Alan Milburn, co-ordinator of the Sunderland Shipyard Campaign launched six months ago, said: "I can only greet this news with a mixture of outrage, anger and sickness about the way the whole thing has been handled.

The yard's closure was brought closer on the day in 1986 when Mr Peter Zacchi, a Danish naval architect approached the company with a prospective order for 24 small ferries for Danish owners, **Kevin Brown, Transport Correspondent adds.**

The order looked like a heaven-sent opportunity to buy time while rationalisation was carried out, but it went badly wrong. Only two ships were delivered, and a dozen remain stranded in the Wear while British Shipbuilders tries to sort out a legal tangle with the Danes.

The bungled order was the last straw for a Government which was determined to end what it saw as the almost endless flow of public funds into shipbuilding - more than £1.3bn since 1977.

Theft charges brought against three in Barlow Clowes affair

By Richard Waters

CHARGES OF theft were yesterday brought against Mr Peter Clowes and two of his close associates, marking the end of six months of intensive police investigation into the collapse of the Barlow Clowes investment group.

The charges followed dawn police raids on the homes of three of Mr Clowes' former business associates.

Mr Clowes, who had already been charged with conspiracy to pervert the course of justice, was not subjected to a repetition of his dramatic arrest earlier in the year when police swooped on his home at Prestbury, Cheshire.

Instead, he had agreed to present himself at Bishopsgate police station in the City of London yesterday. The other three were taken to the station later in the day.

Mr Peter Naylor, the 32-year-old former director of several Barlow Clowes companies, was arrested at house near Guildford, Surrey. Liquidators of Barlow Clowes have already frozen £1.75m of Mr Naylor's assets.

Police also swooped on the home near Polstead, Suffolk of Mr Christopher Newman, a chartered accountant and former director of James Ferguson, the ultimate parent of the Barlow Clowes group.

The third raid was on the home of Mr Guy von Cramer in Micklethwaite, near Leeds. Mr von Cramer, 27, was chief executive of Ferguson. The liquidators have frozen £14m of his personal and business assets.

More than 18,000 investors are owed around £190m by the UK and Gibraltar-based Barlow Clowes funds. Liquidators have so far recovered almost all of the £52m invested in the UK, but fear much of the off-shore money may be irrecoverable.

Mr Clowes and Mr Naylor were jointly charged with five counts under the Theft Act of stealing a total of £4.3m at various times between 3 June 1986 and 3 April 1987.

Mr Clowes and Mr Newman face four charges, also under the Theft Act, of stealing a total of £10m between 18 January and 11 February this year. They also face one charge under the Criminal Law Act of conspiring to steal an unnamed amount between November 25 1987 and February 29 1988.

Mr Clowes was charged with four counts of stealing, with an unnamed man, a total of £7m on or about 16 June 1988.

In addition, Mr Clowes is charged alone with stealing £1,388,786 on or about August 27 1988, and with false accounting between December 21 1987 and Febuary 29 1988.

Mr von Cramer was still being questioned by police last night.

Mr Clowes was released on bail, while Mr Naylor and Mr Newman were held in custody overnight. All three will appear at Guildhall magistrates court in the City of London this morning.

Quadrex ordered to pay £75m

By Raymond Hughes, Law Courts Correspondent

QUADREX HOLDINGS, the New York-based securities company, has been ordered to make a £75m interim payment in a High Court action in which British & Commonwealth Holdings is claiming around £87m damages for breach of contract.

Quadrex is to appeal against the ruling and against an earlier judgment in which it was held to be liable to B&C. Both matters will come before the Court of Appeal on Monday and both orders have been suspended pending the appeals.

Mr Justice Hirst ordered the interim payment at a private court hearing on Tuesday last week. Yesterday he said he had deferred giving his judgment in open court pending a Court of Appeal ruling. "They have now confirmed that this is the appropriate course, he said."

The orders were made in a dispute over a contract for the sale by B&C to Quadrex for £280m of M.W. Marshall, the world's second largest money broker, and William Street, a US Government securities broker. Quadrex failed to complete the contract.

On November 24, after a hearing in chambers, Mr Justice Hirst gave judgment in open court granting B&C summary judgment on liability, with damages to be assessed. He ruled that Quadrex had no arguable defence.

Yesterday he said that B&C sought an interim payment, contending that it was highly probable it would recover more than £87m when damages were assessed. About £72m of that was the loss B&C was likely to suffer as a result of a shortfall on the resale of Marshall and William Street under two impending management buyouts.

Quadrex had opposed any interim payment. Its grounds included contentions that it had an arguable counterclaim for damages against B&C, and that it would suffer serious and irreparable damage if a payment of the size B&C sought were ordered.

The judge said that there was conditional agreement for a management buyout of William Street for £54.9m. Marshall's management had offered £175m for the company.

On the evidence those figures were the maximum B&C was likely to achieve and he was satisfied there was "a very high degree of probability" that B&C would recover about £72m under the shortfall head of its claim.

He was similarly satisfied that B&C was likely to recover an additional £12.3m under claims for loss of profits and miscellaneous costs.

As regards £2m plus claimed over a written off loan to William Street, the judge said that, while Quadrex's case against that claim was not very strong, he would give Quadrex the benefit of the doubt and disallow that item.

The judge rejected Quadrex's argument that the interim payment should be scaled down to take account of sums B&C might recover in pending litigation.

Shareholders to be required to disclose 3% stake

By our Political Editor

THE THRESHOLD at which shareholders must declare their stakes in public companies is to be lowered from 5 to 3 per cent and the time limit for such declarations reduced from 5 to 2 days, the Government announced yesterday.

Lord Young, the Trade and Industry Secretary, said that the changes would significantly improve transparency in share dealings in London's financial markets, providing investors with an earlier indication of potential bids.

The Government was also backing proposed amendments to Stock Exchange rules which limited the rights of companies to disenfranchise or curtail in other ways the rights of shareholders who did not give satisfactory responses to ownership inquiries.

In addition, the Companies Bill which the Government plans to publish in the next two weeks, will include legislation to prohibit further acquisitions of shares once a merger has been referred to the Mergers and Monopolies Commission.

That follows the move last month by Elders, the Australian diversified brewing group, to increase it stake in Scottish and Newcastle, the UK brewers, after the announcement of a referral.

The new disclosure rules, which should become law next year, will make contested takeovers more expensive by reducing the size of stakes that predators can build up anonymously.

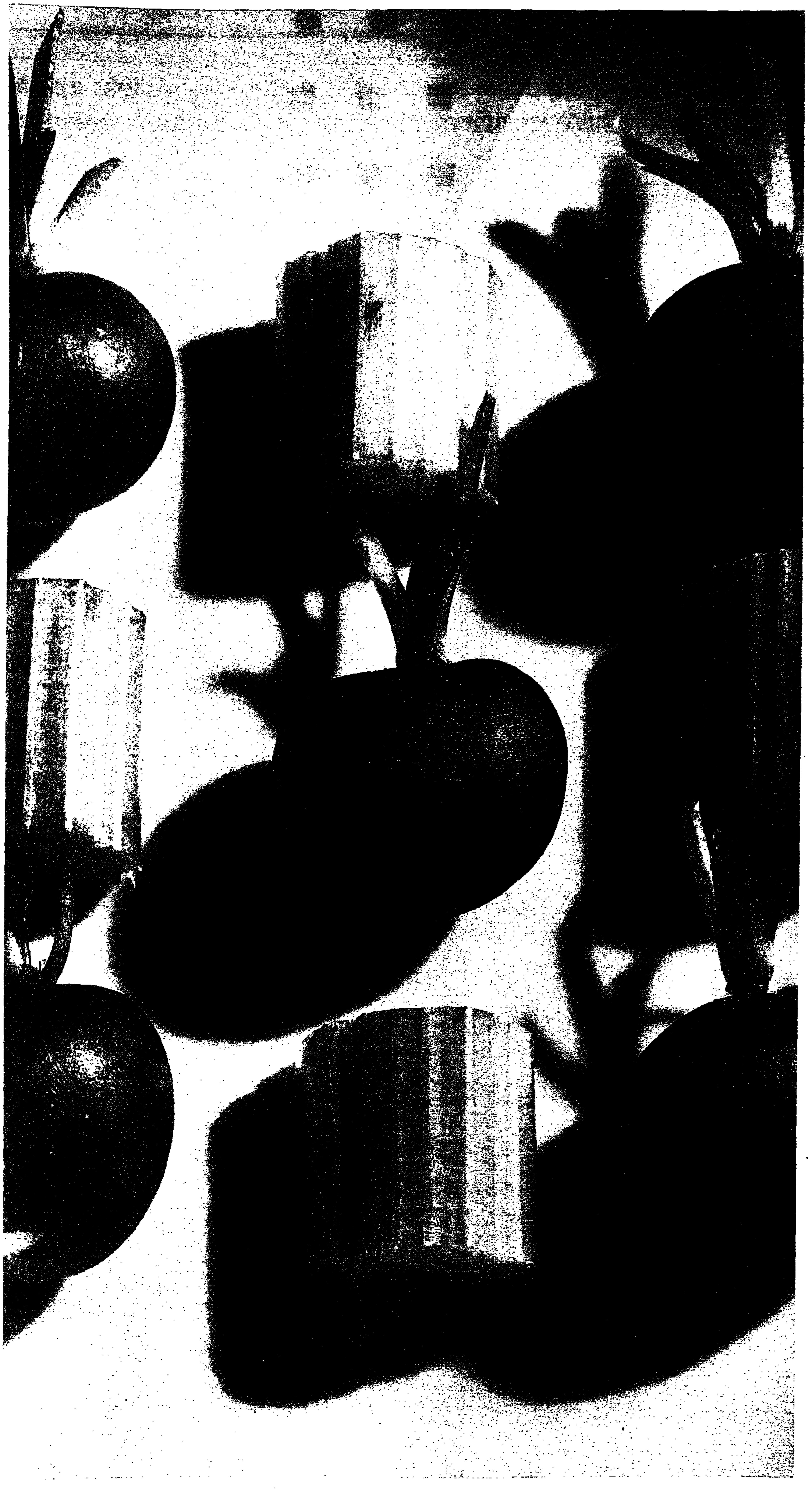
Lord Young firmly rejected any suggestion that they represented a shift by the Government in the direction of offering companies extra protection against takeover bids.

The Confederation of British Industry, the employers' organisation, has called for the Government to adopt a more restrictive approach to takeovers to allow industry to take a longer-term approach to investment and other decisions.

Yesterday, however, Lord Young said: "The Government believes that relying on the operation of the market mechanism to assess the merits of takeovers is in the best interests of industry".

He accompanied the announcement of the changes with the publication of a new guide to the Government's competition policy which will be sent at first to the top 1,000 British companies and to City of London financial institutions involved in merger activity.

The Companies Bill will also include a range of new procedures to streamline and speed up official approval of uncontroversial bids.



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UK NEWS

Murdoch to add sixth Astra TV satellite channel

By Raymond Snoddy

SKY CHANNEL, the direct broadcast television group owned by Mr Rupert Murdoch, is to add a sixth television channel to its package of programmes on Astra, the Luxembourg television satellite to be launched tomorrow from French Guyana.

The channel will be advertising based and show classic films and arts programmes.

It will join three other "free" channels, the Sky general entertainment channel, Sky News and Eurosport, a joint venture with a dozen of Europe's public service broadcasters including the BBC.

Sky has also reached a film deal with Warner Brothers, the US film and television studio, to acquire pay television rights to future films and library movies for its subscription film channel. Sky Movies and the Disney Channel will be offered as a £12 a month package.

The latest moves by Mr Murdoch intensify the satellite television battle between Sky and British Satellite Broadcasting, the satellite television venture which will launch its three channels towards the end of next year.

On Tuesday BSB, in which Pearson, publisher of the Financial Times is a founder shareholder, announced it had bought the rights to show more than 650 films from Paramount and MCA/Universal. BSB is paying at least $375m (£201.6m) under the deal, bringing to more than $700m the amount committed to the purchase of film rights over five years.

BSB, a venture costing more than £700m, will have to compete against a total of six Murdoch channels on Astra.

W.H.Smith Television will have two channels on Astra, Lifestyle, programming mainly aimed at women and Screen Sport, a European Sports Channel.

Mr Robert Maxwell, the UK publisher, has also said he plans to take two transponders – each of which can broadcast a television channel – on Astra.

Sky has now decided to launch its service on February 5, four days later than first intended. The sixth channel will not be ready in time for the launch of the programme service but is expected to follow soon after.

Murdoch: intensifies battle

The Murdoch channels will be shown unscrambled at first and then, probably from September, Sky Movies and Disney will be scrambled so they can be watched only by subscribers.

Sky has decided to buy its scrambling equipment from Thomson, the French consumer electronics group. It will be used in conjunction with a "smart card" a card with microchips containing information which will "unlock" the broadcast signal.

A dish with a 60cm diameter will be needed to receive Astra channels over most of the UK, although the receiver will have to be bigger in Scotland.

Rumbelows, the consumer electronic retail chain, plans to start selling receiving equipment in all their 450 stores on Saturday morning if Astra is successfully launched.

Davy Wins £120m contract for Emerald oilfield development

By James Buxton and Steven Butler

DAVY OFFSHORE, a Davy Corporation subsidiary, has concluded a £120m contract to provide development and production facilities for the Emerald oil field to the east of Shetland in the North Sea.

The contract will lead to the creation of 600 jobs at a resuscitated offshore yard at Dundee in Scotland.

Davy has signed a turnkey package with Midland & Scottish Group (MSG), the largest single shareholder in the Emerald field, for the design, procurement, fabrication and installation of a floating production facility.

A large part of the work will consist of converting a semi-submersible drilling vessel named Ali Baba, belonging to Jebsens Drilling, into a production vessel. Davy will assume full responsibility for the work until the first production of oil.

The project involves a number of innovative financial and management arrangements which the companies involved believe may set a precedent for future development of small fields in the North Sea.

Jebsens, which has been in financial difficulty, will continue to own the Ali Baba and will operate the vessel as production contractor, paid on a fixed fee based on the amount of oil produced.

Development of the field, which is operated by Sovereign Oil & Gas, is contingent on Department of Energy approval, which is expected.

In a unique arrangement, output from the field has been pre-sold to Neste, the Finnish oil company, at an agreed price, thus transferring much of the risk away from the field licence holders. The main remaining risk depends on whether the field performs up to expectations.

Davy believes that the contract establishes it as a leader in the provision of total offshore contracting services. Mr Roger Kingdon, Davy's chief executive, said its ability to provide such a service to small oil companies put it in a strong position as North Sea development turned increasingly to marginal fields.

Davy has itself arranged intermediate finance for the construction and installation of the facility up to its handover.

Ombudsman attacks sale of graveyards for 15p

Cemetery sales 'morally wrong'

By Richard Evans

WESTMINSTER City Council in London was guilty of maladministration when it sold three cemeteries for 5p each, according to a ruling by the local Ombudsman published yesterday.

The Conservative-controlled authority disregarded its moral obligations to the relatives of those buried in the cemeteries in order simply to make savings in its budget, said Dr David Yardley, Ombudsman for London and the south east of England.

His critical report, which will now be considered by the council, provides additional embarrassment for Lady Porter, the Conservative leader, and her colleagues, who have been accused by political opponents of squandering assets.

The problems started in January 1987 when the council sold the overgrown and disused cemeteries at Hanwell, Mill Hill and East Finchley for 15p to Chelwood Holdings, a private offshore company.

The land was later valued at several million pounds by a property developer.

Six weeks ago a report from the Audit Commission criticised the council for failing to value the cemeteries and described its handling of the affair as "seriously defective."

In the Ombudsman's report, officers and councillors are heavily criticised and are advised to get back the cemeteries and pay compensation to distressed relatives.

The Ombudsman was called in to investigate after complaints from three relatives at the way the council had handled the matter.

Dr Yardley accepts the council was within its legal rights when it sold the cemeteries, but he adds: "They clearly owed a moral obligation over and above their strict legal duties in relation to those whose relatives and loved ones were buried in the cemeteries." Lady Porter said yesterday that the council would carefully consider the report.

Daiwa recruits analysts for expansion

By David Lascelles

THE LONDON branch of Daiwa Securities, the Japanese broking house, is recruiting five research analysts with the prospect of further expansion into market making.

The announcement came only 24 hours after Morgan Grenfell made 450 people redundant and closed its market-making arm. Daiwa's move was seen as a pointer to the direction in which the City of London jobs market is moving.

Daiwa has already recruited two of the analysts, Mr John Reeves, from Kleinwort Benson, who specialises in pharmaceuticals, and Ms Mary Corran, from Chase Manhattan Securities, who analyses oil stocks. The rest will join next year.

Mr Katsuzo Sakamoto, the head of the Daiwa Securities Research Institute in London, said a stronger research base would help Daiwa to compete in international equities.

Briefly

Genzyme plans $12m investment in Britain

GENZYME, a US biotechnology company which makes a range of healthcare products, is planning a $12m (£6.4m) investment programme in Britain over the next 18 months that could lead to 100 new jobs, Peter Marsh writes.

Genzyme, of Boston, Massachusetts, bases most of its production in Britain. It has two UK plants, one at Haverhill, Suffolk, which is likely to be expanded under the latest plans, and another at Maidstone, Kent, where a further facility may be built.

Genzyme, which expects to have sales this year of $26m, makes a range of enzyme-based chemicals and is expanding into other areas of healthcare products.

It sells most of its output to big pharmaceutical companies such as Abbott Laboratories of the the US and Switzerland's F Hoffmann-La Roche for incorporation into drugs and diagnostic kits for monitoring disease.

Lloyd's re-election

The ruling council of Lloyd's of London has re-elected Mr Murray Lawrence as the insurance market's chairman for another 12 months.

Mr David Coleridge, chairman of Sturge Holdings, the largest Lloyd's underwriting agent, was re-elected senior deputy chairman of Lloyd's.

Ulster business plea

Mr Charles Price, US ambassador to the UK, urged Northern Ireland businessmen to become involved in politics.

Addressing the Northern Ireland Chamber of Commerce and Industry in Belfast, Mr Price said politics was often regarded as a "dirty word" both in Ulster and the US.

"But unless businessmen are prepared to involve themselves in politics, unless their commitment to the community goes deeper than economics, then the political situation is unlikely to change, he said."

Mr Price said he was an ardent proponent of increased bilateral trade between the US and Northern Ireland.

UK NEWS

Companies 'slow to adjust' for IT needs in 1992

By Alan Cane

A LARGE majority of British companies have yet to take seriously the implications of the coming in 1992 of the single European market for their data processing departments and systems, according to one of the most extensive international surveys of business attitudes to information technology (IT) so far published.

Specialists in IT argue that effective data processing will be one of the main keys to competitiveness and success after 1992, yet the survey, carried out and published by the London offices of Price Waterhouse, the management consultancy, found that half the British and West German companies canvassed did not even believe there was a need to integrate information technology in their planning for the single market.

They thought 1992 would be a "non-event" in data processing terms. "My company has given me no indication whatever of any effect of 1992 on the data processing environment" was a typical reply from a British data processing manager.

Over 75 per cent of French businesses, on the other hand, believed that IT had to be built into their planning for 1992 and 17 per cent of French companies had already formulated such plans. By comparison, the comparable figure for West Germany was 13 per cent and for the UK, 9 per cent.

A majority of companies in all three countries, however, was enthusiastic about the prospect of 1992 arguing that it would help the trend towards common computing industry standards and reduce prices.

The Price Waterhouse survey, carried out each year, is now 10 years old in Britain but this is the first time that results from the US, Japan, Australia, West Germany and France have been collated with the UK figures to give an international perspective.

It gathers opinions from more than 2,000 top data processing executives in companies of various sizes in a range of industry sectors.

The results show that over half the companies canvassed world-wide intend to spend more on IT in the next 12 months compared to last year, although software has now replaced hardware as the chief indicator of IT activity.

Japan, in particular, is set to spend strongly on both hardware and software reflecting a determination to reduce the West's lead in data processing technology.

Data processing managers worldwide are still chiefly concerned with the problem of meeting project deadlines although in the past few months it has become clear that there is growing concern about the difficulty of integrating IT planning into companys' overall business strategy.

The UK seems tc be taking a lead here, although as Dr Kit Grindley of Price Waterhouse, editor of the survey pointed out, it was not clear whether British data processing managers were developing an answer to the problem or simply worrying more about it.

"Managing IT" is available free from Price Waterhouse, Southwark Towers, 32 Bridge Street, London SE1 9SY.

Lloyd's syndicates wait for US judgment in Arsenal case

By Nick Bunker

INSURERS AT Lloyd's, the London insurance market, could hear by Christmas the outcome of the trial of the Rocky Mountain Arsenal case, the best-known of a stream of huge law-suits in which major US corporations have sued Lloyd's syndicates and US insurance companies for the costs of cleaning up hazardous waste sites.

In the case, Shell Oil is seeking a declaratory judgment that 260 insurers, including many Lloyd's syndicates, are liable to pay for the cost of decontaminating the Arsenal, a 27-square-mile site just outside Denver, Colorado. The US Army and Shell used it from the 1940s onwards to make poison gas and pesticides and are legally liable for cleaning it up.

Estimates of the cost, which may not be finally determined until the mid-1990s, vary from $750m (£420m) to $5bn, depending on the methods used.

Closing arguments by lawyers in the trial, being heard by a California Superior Court judge and jury in the San Francisco area, began yesterday and are expected to finish either tomorrow or early next week.

Court officials and Mr Philip Mathews, an attorney with San Francisco-based Hancock, Rothert & Bunshoft, the main law firm acting for Lloyd's syndicates, said lawyers were now hopeful of getting a verdict from the jury before a 14-day Christmas recess starts on December 22.

The trial began on October 12, 1987, in a specially converted high school auditorium in San Mateo county, close to San Francisco airport, and has turned into one of the most complex and arduous trials in insurance history.

Last May, the judge gave a series of complex rulings on the meaning of Shell's insurance policies, which suggested that the clean-up costs could in principle be covered.

Since then the jury has been hearing evidence on the history of contamination on the site, to determine how to apply his interpretations to the facts of the case.

Directors' basic pay rose by 9.2% over past year

By Michael Skapinker

THE BASIC pay of British directors rose by 9.2 per cent over the past year, according to a survey published today by the Institute of Directors and the Reward Group.

The survey of 6,959 directors found that the median salary of managing directors rose by 7.7 per cent. That of other executive directors increased by 11.1 per cent.

By contrast, the pay of managers other than directors increased by 7.1 per cent.

The higher pay granted to directors reflects a further widening of the gap between the salaries of directors and other managers – a trend apparent since 1984, Reward and the IoD said.

The survey found that the basic median salary of an executive chairman is now £40,000. The total cash remuneration of an executive chairman is £49,500.

The median basic salary of a full-time managing director is now £35,000, with total remuneration standing at £40,875. The basic median salary of other executive directors is £30,000. Their total remuneration is £33,000.

The median basic salary of a full-time director of a company with a turnover of more than £500m is £60,000.

Total remuneration stands at £65,500.

Directors' Rewards, 1988-9. Available from the Reward Group, Reward House, Diamond Way, Stone Business Park, Stone, Staffordshire ST15 OSD. £140.

Boeing offset work 'to exceed stated £1.1bn'

DEFENCE officials say they expect the value of UK contracts placed by Boeing as offsets for the US company's 1986 sale of early warning aircraft to surpass the promised £1.1bn, writesDavid White, Defence Correspondent.

This follows claims in an independent television programme last night that the offset programme, involving contracts worth 130 per cent of the £860m purchase price, had run into trouble.

Boeing said that only $96.6m worth of contracts had been officially approved as offsets, covering the period up to June last year, but that it had made $3bn worth of bidding opportunities available to UK companies since the contract, of which $1.77bn worth were successful.

UK against big rise in space spending

By Peter Marsh

BRITAIN has decided against agreeing to a big increase in spending on a series of European space science programmes.

The decision is likely to provoke a row when Britain discusses its objections at next week's meeting of the 13-nation European Space Agency.

The row over spending may jeopardise a £2bn ESA project called Horizon 2000.

This is intended to finance over the next 20 years a series of ambitious space science programmes, including astronomy satellites and unmanned probes to other parts of the solar system.

Under ESA rules, all its member countries must agree to the funds for Horizon 2000 before it can go ahead. Britain is so far the only member to say it will not finance the project at the level suggested by ESA officials.

The row over objections to the programme has been brewing for several months and follows by little more than a year a dispute in which Britain queried the agency's plans for a series of manned space-technology projects. These are to cost £7bn to the year 2000.

That dispute led to Britain's virtual withdrawal from all the agency's crewed space projects, including plans for the Hermes space shuttle.

In the latest controversy, ESA wants to raise spending on space science by 25 per cent to £170m a year by 1994, with much of the extra money going on Horizon 2000.

The cash spent on space science represents about a tenth of the total ESA budget, which is this year likely to be about £1.3bn.

Britain says, however, that cash rises of this order are not required. It is particularly constrained by its wish to keep strict limits on the budget of the UK Science and Engineering Research Council, which would provide the extra funds.

Britain is contributing about £90m to this year's ESA budget, making it the agency's fourth biggest paymaster after France, West Germany and Italy. The extra cash which the other members want the UK to provide would increase this contribution by about £6m a year by the early 1990s.

The UK is concerned that it does not present a wholly negative image at next week's ESA meeting, which is a routine gathering of the agency's council. Delegates from the British National Space Centre, are expected express sympathy with the aspirations of the space science programme and agree that some extra money may be needed, but not on the scale suggested by the other ESA nations.

An ESA official said yesterday that the agency had not been told the details of the UK position on the issue but would welcome what the country had to say.

The reaction of other agency members next week will depend on the line taken by UK delegates. But British officials are nonetheless braced for a stormy reception.

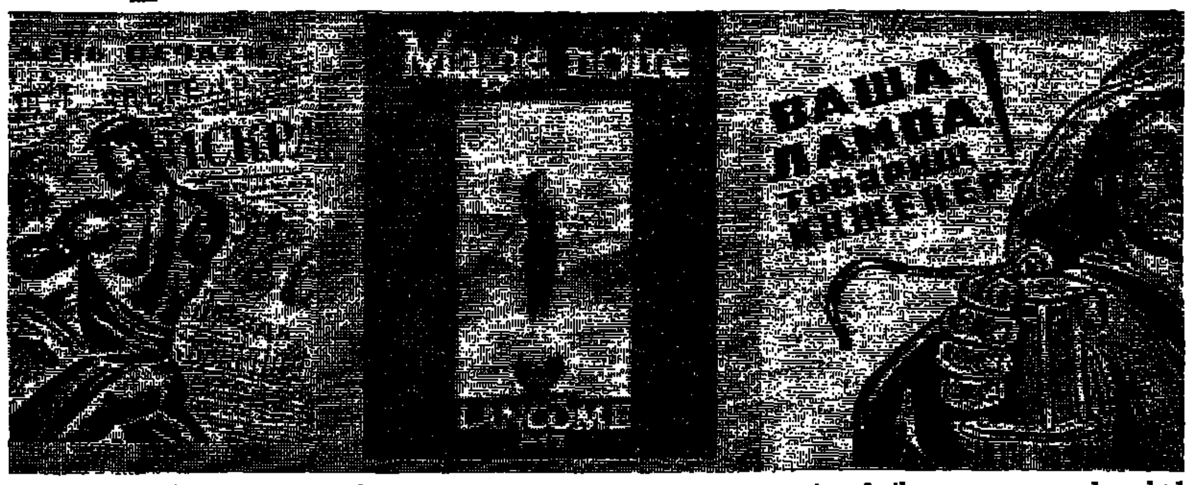
Two months ago Prof Reimar Lüst, ESA director general, said that if Britain did not go along with the majority wish to expand space-science programmes, then it might have to consider whether it wanted to remain a member of the agency.

هكذا من الأصل

Marketing in Moscow

UK helps to make advertising and promotion a priority of perestroika

Philip Rawstorne reports on the role of marketing consultancy, Craton Lodge & Knight, in encouraging bilateral trade with Comecon countries. One consequence is the appearance of giant neon displays, such as this for Lançome's Magie Noire perfume, which contrasts greatly with the traditional style of Russian posters



The acquisition of Western advertising and marketing skills has now become an urgent priority for the Soviet Union as it seeks to find new opportunities for Soviet exports in world markets and opens its own frontiers to more Western products.

"There are no more than a thousand people involved in marketing throughout the entire country," says Vladimir Tikhonenkov, a senior director of Moscow's state advertising agency, Vneshtorgreklama (VTR), who has just arrived in London on a two-year secondment with Craton Lodge & Knight (CLK), the brand development consultancy.

Tikhonenkov, aged 40, who speaks fluent English as well as German and Japanese, is head of VTR's outdoor advertising and one of the Soviet Union's most experienced marketing practitioners – but, as he readily admits, in spite of a career that has included four years in Tokyo with the Soviet trade delegation, he still lacks much practical know-how.

Since the Soviet Government decided in February that marketing should be made one of the priorities of Mikhail Gorbachev's perestroika, several initiatives have been taken.

Barry Day, of the US advertising agency, McCann-Erickson, was invited to Moscow to give a demonstration of Western advertising techniques.

CLK signed an agreement with VTR in May to sell a number of outdoor and neon advertising sites in Moscow to multinational advertisers. These include 30 supersite poster panels on the road from Moscow airport to the city centre at £100,000 a year, 10 giant neon displays on the main road into Moscow from Leningrad at £125,000-£150,000 a year. Two South Korean consumer electronics companies, Samsung and GoldStar, were among the first to put up their posters.

A significant proportion of this income is being reinvested in developing further marketing opportunities inside the Soviet Union. Under the agreement, CLK will be involved in the "green fields" of marketing consultancy, new product development and direct marketing.

CLK will also help in promoting further outdoor sites in Leningrad and other Soviet cities. Bus and underground sites are planned, and other advertising opportunities are being opened in mass circulation newspapers – though not in Pravda – and on television.

Just a few weeks ago, CLK, as agents for the Italian media owner, Silvio Berlusconi, began to offer slots for Western companies to broadcast corporate information films on Soviet television in a new programme called "Progress in Advertising."

The 45-minute programme is being shown on Pan Soviet Channel 2 which reaches 97 per cent of the population and is then repeated over the next 15 days on two other TV channels. Slots on the programme cost up to £60,000 for 15 minutes. ICI and Allied Lyons are two of the British companies that have seized the chance, along with the Italian chemicals group, Montedison, to establish their names more widely in this way.

But, in spite of this activity, the Soviet Union has hardly begun to appreciate the idea of marketing as a process which infuses the whole economy, says David Craton, chairman of CLK.

"The Soviet Union urgently requires help in improving its product marketing in order to enter intensely competitive world markets," says Craton.

Tikhonenkov's two year spell at CLK will be spent in the unit which specialises in developing bilateral trade with Comecon countries and is intended to broaden his, and therefore VTR's, knowledge of Western marketing techniques. "It is an exciting but daunting task," he says.

Tikhonenkov joined VTR in his early 20s after a six month advertising and marketing course at the Soviet Academy of Foreign Trade. No other marketing education was available in the Soviet Union until two further courses were launched this autumn.

"The lack of practical experience is even greater," says Tikhonenkov. VTR, which was set up in 1964 primarily to support the marketing efforts of Soviet exporters has, since the late 1960s, also provided services for both Western and other Comecon companies wishing to establish joint ventures and co-operative agreements with Soviet companies.

The marketing accent has been on organising seminars and exhibitions, primarily to put prospective partners in touch with each other, and on advertising in technical and trade journals. Some 70 seminars a year are now being held throughout the country. Rank Xerox is one prominent participant. "We have introduced hundreds of new companies into the Soviet market," Tikhonenkov claims.

Advertising and marketing in the Soviet Union is still almost entirely concerned with business-to-business rather than consumer markets. Many consumer goods are not available throughout the country and advertising of them is banned. "We are not yet in the business of mass marketing," says Tikhonenkov.

But VTR now has 400 Soviet client companies which aim to break into world markets. Tikhonenkov states: "Our task is to provide them with the marketing expertise necessary to sell their products in export markets. Some of the enterprises do not know anything about the kind of competition to which their products will be exposed.

"We have to feed them with information about possible markets, about the quality expected of their products, and help them through the entire marketing process – with design, packaging, and advertising. By reaching the standards necessary for export markets, we shall also ensure the standard of products for the domestic market."

During his two years with CLK, the company which launched such successful new products as Wispa and Biarritz for Cadbury, and the Gold Plus Service for NatWest, Tikhonenkov will work in every field of marketing from new product development to point of sale promotions, learning how to adapt Soviet products for Western markets.

CLK also expects to gain important advantages from his presence. "The decision to second Tikhonenkov to us... is a significant breakthrough in the development of long term business with the Russians," says Craton. "Tikhonenkov's breadth of experience will give us a unique insight into the Soviet market and a real competitive edge in developing further business opportunities there."

Not quite at your service, madam

IT MAY come as a surprise to men, though not to women, that female shoppers feel they are not taken seriously by shop staff – especially in those shops selling "male" products such as electrical or do-it-yourself goods.

Rumbelows, the electrical retailer, which is a subsidiary of Thorn EMI, has been startled by the results of a survey it asked Taylor Nelson, the market research company, to undertake. Although women often make the crucial decisions in shops, it is generally the male half of a couple who gets all the attention from a shop assistant.

Jeff Roberts, personnel manager at Rumbelows, admits: "The research confirmed our worst suspicions about the way people view service."

Shop staff, the survey concludes, "appear to be more helpful, courteous and attentive towards men, giving quicker service and generally being more accommodating." Taylor Nelson gives the example of a woman buying a car for her own use and finding the salesman asking her husband: "Does your wife need central locking, sir?".

Things are even worse, it seems, for the woman shopping alone, particularly if she is young. This despite the fact that such a person is likely to have more disposable income than most married women with children. One in four women say that if they are shopping alone, shop staff's attitudes are different.

Four out of five women with children believe shops have been "designed by men for men" and would like wider aisles for prams and push-chairs and better facilities for nappy changing.

Like many other retailers, Rumbelows has introduced a programme to train its sales staff to provide better customer service and to redesign its shops to be more attractive to women shoppers. Play areas for children are now being provided in the larger stores.

As retailers fight for greater shares of the dwindling growth in consumer spending, Rumbelows has discovered that "stunning interior design cannot replace good old-fashioned service."

Maggie Urry

How Ragu is stirring up pastaffairs

Alice Rawsthorn reports on a publicity-seeking partnership

It all began when Ruby, the cleaning lady, tried to find her long-lost school friends.

Ruby sent a photograph of herself as a schoolgirl in the 1920s to a local paper in South Wales. Nearly half of her old classmates got in touch. Ruby threw a party so that they could all get together again.

The story might have ended there; but Ruby worked for Munro & Forster, a London public relations company. And Munro & Forster was anxious to find a way of drumming up publicity for Ragu, a brand of pasta sauce being launched by Brooke Bond Oxo, a subsidiary of Unilever.

At first glance the connection between a school reunion in South Wales and a pasta sauce produced by one of the world's biggest consumer goods groups might seem, at best, remote. Not so in a PR consultancy, where a sprinkling of pseudo-structuralism – "Pasta means family reunions, people getting together and having a jolly time," or so says a Munro & Forster account executive – can turn the least likely combination of events into a publicity exercise.

This week Munro & Forster launched Ragu Reunions, a 24-hour helpline which will run for a month as a free service for people anxious to trace long lost friends or relations.

Ragu Reunions has placed advertisements in national newspapers inviting people to send information about the person they wish to contact and, if possible, a photograph. It has also hired a team of researchers - mostly students working through their vacations - to try to do the tracing.

The helpline has only been open for a few days but so far the phones have "scarcely stopped ringing". People have asked Ragu Reunions to seek mums, dads, aunts and uncles.

A woman from Suffolk wants to find her dancing partner from the 1950s. One man is searching for a friend who came to England with him as a soldier in the Canadian army during the war, married an English girl and vanished without trace.

All those reunited by the service will by invited to a pasta party in London after Christmas. The pasta sauce will, of course, be Ragu.

For Brooke Bond Oxo the helpline is a way of publicising Ragu, one of the most expensive new product launches of the year.

Unilever inherited Ragu when it acquired Chesebrough Ponds, the personal products group, last year. Ragu dominates the $1bn (£550m) pasta sauce market in the US with over 50 per cent of sales.

The British are still not quite as keen on pasta sauce as their US counterparts and spent just £17m on it last year. But Britons are scoffing more and more pasta every year. The giant Mars group made the first move into pasta sauce by introducing Dolmio last year.

Brooke Bond Oxo intends to make up for lost time by treating Ragu to a £5m launch campaign. Most of the budget will be spent on television advertising – devised by the Still Price Court Twivy D'Souza agency – and £2m will be spent on television during Christmas week alone. Ragu Reunions is part of the accompanying public relations programme.

In the meantime, if anyone knows of a veteran of the Suffolk dance halls of the 1950s...

هكذا من الأصل

FINANCIAL TIMES SURVEY

A key supplier of components used in nearly every factory and large piece of machinery, the sector is enjoying healthy demand, coupled with ownership shifts. As well as technology improvements, these are the main forces of change, writes **Nick Garnett**

INSIDE

WORLD PRODUCTION OF MOTION CONTROL EQUIPMENT
Percentage shares

US	45.9
Japan	19
West Germany	17.9
UK	5.9
Italy	4.2
France	3.3
Switzerland	1.7
Spain	1.5
Denmark	0.8

Figures exclude South Korea, Taiwan and Canada
Source: US National Fluid Power Association

FLUID ENGINEERING

Coping with change

"A COMPANY in this industry will sacrifice itself unless it changes. Companies are already dropping out like flies."

Mr Darryl Allen, chief executive officer of US company Trinova, might be exaggerating a little when he talks about the restructuring under way in fluid engineering.

But this sector, a key supplier of components used in just about every factory and large piece of machinery is being subjected to some mini shock waves right now.

Industrial demand is healthy. Nevertheless, some fluid engineering businesses are giving up and selling out to other companies determined to increase their market dominance. The Japanese are beginning to stir further out from their domestic market. At the same time, a host of technological changes are shifting the focus towards systems packages, greater use of electronic controls, downsizing and new materials.

Fluid engineering really means two things. The narrow definition is "motion control" – that is hydraulics (using oil or water) and pneumatics (air) to power movement. Hydraulics are used in a vast range of applications, from controlling lifting machinery on construction and mining equipment, operating elevators and conveyors to powering flaps on aeroplane wings and in car power steering and brake systems.

Pneumatics, with higher speed but lower power capability, is used in lighter duties, particularly in factory automation, food manufacturing and packaging.

Yearly sales of motion control equipment amounts to about $15bn, including automation and aerospace applications, according to the US National Fluid Power Association. This is one industry where America has retained its manufacturing leadership. US industry companies supply around 45 per cent of the market, Japan 19 per cent, West Germany 17.9 per cent and the UK about 5.9 per cent, according to the association. European producers, while still placing the US first, give it a share of around 40 per cent.

A broader definition of fluid engineering includes all equipment used in the transmitting of liquids and air. This incorporates such machinery as compressors, pneumatic tools and every type of pump, whether they or not it is used as part of motion control systems. That is a huge, ill-defined sector of tens of thousands of companies.

Overall, fluid engineering is enjoying exceptional demand as many of the sectors it supplies are now experiencing their fourth or fifth year of recovery from the bottom of the world recession in 1983.

"It has been terrific in the last five years," says Mr Dennis Sullivan, chief operating officer for the industrial and automotive sector at Parker Hannifin of the US. Trinova, Parker Hannifin and the West German company Mannesmann-Rexroth are the world's three largest motion control equipment suppliers.

This performance over the past few years contrasts sharply with the early 1980s when motion control component makers felt the full brunt of recession as big agricultural and construction machinery and general engineering consumers suffered a partial collapse in demand. "Between 1980 and 1983 our industry fell apart," says Mr William Wilberg, the US national association's executive director.

The upsurge in demand over the past few years, however, has not prevented further ownership realignments. These have reinforced the existing character of the motion control sector with its few big companies dotted among thousands of component suppliers.

Growth through acquisition and the existence of multinational manufacturers has always been part of the picture. Rexroth has 10 plants around the world. Parker Hannifin, more than a half of whose $2.25bn sales are in fluid power equipment, bought seven companies last year alone, including Schrader Bellows, a substantial pneumatic equipment maker.

"Consolidation has been seen as the way of the future rather than fragmentation," says Mr Sullivan.

In motion control, recent acquisitions in the US have included the sale to Eaton Corporation of the hydraulics business of Cessna, the aircraft maker, and the purchase by Bosch of West Germany of Dana's Racine factory. A collection of fluid power businesses in the Mid-West, formerly owned by IC Industries, has recently been bought by an investment group to be sold off separately.

Ownership changes have not been as marked in Europe, though some have occurred. For example, in the UK, which suffered the most serious downturn in demand in Europe during the early 1980s, a number of realignments have taken place in the past two years. In hydraulics, Fawcett has been merged with Christie and IMI's separate divisions have been put together as Norgren Martonair. Dowty has just put its hydraulics business up for sale.

Outside motion control, ownership restructuring has been more marked. In gas compressors, Dresser lumped its activities with those of Ingersoll-Rand in 1986 to form a joint $500m operation. Sweden's Atlas Copco, which vies with Ingersoll-Rand as the world's biggest company in air compression equipment, purchased the gas compressor arm of West Germany's Klein, Schanzlin and Becker(KSB). It also bought the CPT air tools business in the US. In the same air compression field, a new grouping in West Germany has been formed out of GHH, Sullair, Flottmann and Bauer.

In seals, the acquisition by the UK's TI group of the John Crane arm of Houdaille Industries has made TI probably the world's largest producer of mechanical seals.

Consolidation in the pump industry has been probably the most pronounced of all. In the past year Sulzer of Switzerland has purchased Bingham, the US pump maker and, also in the US, Byron Jackson has acquired United. This followed earlier deals including Weir's absorption of Mather and Platt in the UK, KSB's purchase of French pump maker, Pumpes Guinard, Dresser's acquisition of Pleuger and the takeover of Llowara in Italy by Goulds of the US.

One major question is whether the Japanese will venture further in export markets. In compressors, their expansion appears to have halted in the Middle East with little penetration of Europe. Mr Fred Hatfield, chairman of Ingersoll-Rand in the UK and an officer of the US company, says the Japanese are struggling in Britain, partly because of the value of the yen.

However, in hydraulics, and especially in direct pneumatics, it looks as if the Japanese are launching themselves further in the US and European markets through acquisitions and transplants. CDK has just bought the pneumatics and hydraulics business of Miller in the US. SMC Pneumatics, which already has production operations in North America, plans to build a plant in the UK. Yuken, a hydraulics company, said more than a year ago that it wanted to establish a facility in Britain.

The threats or opportunities posed by Japanese car transplants are also testing the management of US component suppliers. Trinova sees this as an opportunity. It has had a 35 per cent stake since the 1970s in a joint venture in Japan with the Japanese company, Kusan. It has now set up a venture in the US with Kusan, with the US company holding a 65 per cent stake. "It's a way of coping with the transplant problem," Mr Allen says.

Fluid power companies are also having to cope with other forms of change. For one thing, pneumatics are growing faster than hydraulics though the latter still accounts for two-thirds of the industry's sales. For another, lower power fluid engineering is in certain applications under attack from DC electric motors.

But the main change is in technology. "We are seeing much greater use of electronics for the control of systems," says Mr Hans-Jorgen Cornett, sales and marketing manager for Denmark's Danfoss, which claims to be Europe's largest producer of low speed, high torque motors for use in fluid power.

This is linked to the growing use of more intelligent actuators which trigger movements within systems.

Technology improvements are advancing on other fronts. That includes the use of polymer-based oils in hydraulics which hold their consistency better than ordinary oils during temperature shifts, and hydraulic fluids made up of 95 per cent water and 5 per cent oil.

There is also a general move towards reducing the size of of components. Meanwhile, hydraulic pressures are being cranked up for some applications to as much as 8,000lb per square inch or more.

Fluid power companies will have to live with change from now on. Not only is technology making greater cost demands but the industry's biggest customers are making ever-tougher quality and supply requirements. Any slowdown in world demand for fluid engineering products – perhaps as early as next year – will only add to these pressures.

FLUID ENGINEERING 2

What lies behind the shifts in ownership of the industry worldwide

Pumping away to a brighter future

THE PURCHASE this year of Bingham, the US pump company, by Sulzer of Switzerland and the acquisition of United by Byron Jackson is part of a trend which is gradually changing the ownership structure of the world's pump industry.

The sector is engaged in a long process of reshaping through a series of acquisitions and mergers involving many of the biggest US and European manufacturers. One consequence of all this is the consolidation of marketing power in fewer but larger companies.

Many of the imperatives pulling companies in this direction are common throughout heavy engineering. They include the desire on the part of some companies to improve market penetration by company acquisition and reduce dependency on particular pump products by "buying" a wider product range through purchasing another pump maker. This is often cheaper, safer and faster than trying to develop new pumps from scratch.

The backdrop to this is twofold. The industry is saddled with a lot of overcapacity and fierce pricing. Even after the past year of near-booming demand for some pump types, overcapacity is probably around 40 per cent. So some companies want to get out or at least reduce their exposure.

The other factor is the apparent decision of Dresser of the US to become much larger in this very competitive industry and to dominate certain pump products. It is well on the way to doing this.

Four years ago, Dresser purchased Worthington in the US, then a far bigger pump maker than Dresser's own Pacific Pumps division and with a broad range of pumps for the water, oil and paper industries.

Last year, Dresser built on this by the acquisition of Pleuger of West Germany, one of a number of deals that have begun to shake up the pump industry's structure.

These deals included the acquisition of Pumpes Guinard in France by Klein, Schanzlin and Becker (KSB), the West German company which is one of the three biggest pump makers, along with Ebara of Japan and Dresser. This gave KSB large and direct penetration of the French market.

Others included the purchase of Mather and Platt by the Glasgow-based Weir Group, which slotted Weir alongside Sulzer as the largest European pump makers behind KSB. Among other benefits, this gave Weir access to Mather's split case pump, a technology Weir was not really in before the acquisition. In Goulds' purchase of the Italian company Llowara, Llowara got a share of Goulds but the overall arrangement confirmed the intention of the US company to become a bigger player in the pump industry.

One interesting sideline in all this reshuffling has been the intense activity by Scandinavian companies which have assiduously been chasing a range of cross-border purchases. Some of these pickings have been in the UK. For example, in the past 18 months, Scanpump has bought Pullen Pumps which supplies the building services industry and Alfa-Laval has bought SSP and MPL.

The two purchases by Alfa-Laval, one of Europe's two biggest food equipment makers, reflect one particular trend in the industry – buying market share through adding on businesses whose technology is familiar to the purchaser.

SSP, Britain's biggest maker of lobe pumps for moving soft solids such as jam and other foods, has been merged into Alfa's existing business in the same field. At the same time, MPL, a maker of dosing pumps for injecting liquids into other liquids, has been welded into Alfa's Bran Luebbe company in West Germany which is already in this field.

Despite these consolidation moves there are still hundreds of pump manufacturers, a situation that will continue to give the industry a lot of unwanted overcapacity for the foreseeable future.

One question that pump makers are asking themselves is how long the mini-boom in demand will last. Japanese makers have benefited from huge domestic demand in construction and for all kinds of machinery that take pumps. US and European makers have also enjoyed very strong demand this year compared with the slow pull-out from the depths of recession in 1983.

In that year, the world export market plunged to \$3.5bn from \$4.4bn three years earlier, before crawling up to £3.7bn by 1986. Last year and this have shown much bigger improvements. Some companies, like Weir, have registered remarkable growth in output and orders. Most companies, however, expect some cyclical downturn in heavy engineering sooner rather than later.

Another issue is the influence of Japanese pump makers. In the late 1970s and early 1980s, western pump makers expected a big rush from Japanese makers of small pumps. Many Japanese companies, like Tsurumi in submersible pumps, make excellent low cost products.

But the main thrust of the Japanese appears to have been made in large pumps, particularly on the back of the large construction projects won round the world by Japanese civil engineering companies.

Who controls the world's civil engineering industry has always had a big bearing on pump makers. As in so many areas of engineering, however, existing relationships are breaking down. Japanese – and South Korean – civil engineering and heavy engineering companies are now much more likely to buy components like pumps from whoever can deliver on price, time and quality, rather than necessarily depend on a domestic supplier.

Nick Garnett

Ingersoll-Rand pneumatics and hydraulics used in manufacturing a Ford vehicle

SEALS

Key to selection

SEALS ARE a necessary part of any assembly containing fluid. Usually, they represent a small and relatively inexpensive element in what may be a massive power generating system. The service they provide, however, is critical to the success of any project, small or large. That was evident when the failure of a seal was given as the reason for the numerous delays suffered before lift-off by America's Space Shuttle programme.

By far the greatest quantity of seals used by industry are of the moulded elastomeric type. But no one elastomer or other material can provide a seal with an ideal set of properties combining toughness and abrasion resistance, good memory, a resistance to chemicals, a wide operating temperature range and low cost. For all practical purposes, there must be a trade-off between these different properties so as to match seal and application.

Literally thousands of seal designs are available for use in fluid transfer pumps, cylinders, intensifiers, accumulators, control valves and other devices. The key to selection is achieving a balance between cost and service life.

Both static and dynamic elastomeric seals are used in fluid power systems. Two main types predominate: compression and lip. With static seals, the sealing force comes via compression of the material. Lip seals are different, presenting a smaller dynamic sealing area to minimise friction: they derive most of their sealing force from system pressure. Such seals are used with rotating shafts and for reciprocating applications such as pistons within cylinders and for rod sealing.

Even when hydraulic machinery is at rest, and the fluid system at low or zero pressure, a static seal should be totally leak-free. Its design is distinguished by cross-sectional profile, O-rings and T-rings being most widely used. O-rings provide simple, effective sealing for pressures up to about 102 bar.

Although O-rings in many instances offer an effective sealing length, T-rings cover a greater area and are specified for applications which are too severe for O-rings particularly for reciprocating motion. Nevertheless, back-up rings have to be included as part of the seal assembly which adds to the cost; but, because the rings are pressure energised, seal extrusion is unlikely to occur.

An elastomeric seal design often used in short thrust and ram-lift cylinders and for double-acting cylinders is the U-cup seal. Asymmetrical U-cups are pressure activated lip seals with different lip profiles for sealing dynamic and static surfaces, but are not really suitable for low pressure sealing.

Possibly the workhorse these days of the sealing industry is nitrile (Buna N) because of its excellent resistance to hydro-carbons and useful working temperature range of -40°C to 155°C for most compounds. Note that these seals must be stored in a cool place, out of contact with ozone and ultraviolet light, or deterioration results.

Early polyurethane seal products had three major weaknesses: a lack of hydrolysis resistance, low temperature capability and poor compression set characteristics. Therefore, in order to apply a constant radial load, a resilient rubber O-ring had to be used as a source of energy.

A material development by Freudenberg Simrit first brought to the market a seal with good abrasion resistance, and an extended working temperature range (-30°C to +100°C). Parker Hannifin had also been busy on new formulations and the outcome was improved properties, especially with regard to energy.

The Parker product, coded U28, showed improved extrusion resistance against other commercial grades. Interestingly, a U28 seal is around 10 per cent cheaper than seals made from older grades; part of this cost-saving is due to not having to fit back-up rings for pressures up to 400 bar.

Seals are primarily for use in hydraulics. For pneumatic cylinders and valves, however, nitriles and fluorocarbon are better suited to low pressure application

Small changes in seal design can bring a major step forward in applications technology. By simply rounding off the lip profile of elastomeric seals used in pneumatic cylinders Parker Hannifin enabled the metal surface it contacts to retain lubricant; hence, there is less wear on the seal.

Parker has also advanced the package concept by incorporating the seal with a one-piece bearing and wiper. Thus, the wearer has only to push the complete unit into position to eliminate a number of machinery and assembly operations. Also helpful for pneumatic cylinder manufacturers has been the introduction of Parker's one-piece piston seal, a cost-saving concept that suits low volume production when, say, 1,000 cylinders are being produced a year.

Carill Sharpe

Editor, Kempe's Engineering Year Book; Special Reports Editor, Design Engineering.

VALVES

Brains weds muscle

DURING THE last three years something akin to a revolution in engineering has affected the fluid power industry. While it has created opportunities for suppliers of hydraulic components and systems, it is undoubtedly pneumatics that has received the biggest boost from advancing technology, writes Carill Sharpe.

The reason is the marriage between fluid power muscle and electronic brains. To be more precise, it is the way electronic control can be integrated with devices which provide the force to actuate a linear load or rotational torque. These devices may be cylinders, rotary actuators or hydraulic pumps.

What has proved the key to a virtually new industry is the ability to interface these two technologies. This interface is the fluid control valve. Development has advanced the design until no longer is it simply an on-off control device. Now that the valve's output characteristic (flow or pressure for pneumatics) can be varied continuously, it will faithfully follow commands issued by a programmed controller or even a computer.

Manufacturing industry has responded with enthusiasm to this new era in fluid power control. But it has brought with it a change of outlook for system design. Now component supply companies are finding that many of their customers no longer wish to build systems themselves. Instead, customers look to the supplier to provide a complete ready-to-fit system rather than buy in a collection of miscellaneous components which then have to be assembled and commissioned by their own engineers.

One consequence is that the supplier has been forced to upgrade his systems expertise to tackle installations involving a mix of electronics, programming and commissioning. It has also meant that suppliers need a better understanding of the customer's requirements for the end application.

Valves with variable output characteristics are quite sophisticated compared to the basic electrically actuated solenoid valve, but not every installation requires this level of operation.

The simplest and most economic way of linking electronics to hydraulics or pneumatics, where solid-state control using digital methods is involved, is to employ solenoid valves or, for more precise and faster control, servo valves. Servo in this context signifies high amplification of an output variable in response to a low input signal which results in low power consumption. But there is a drawback: the relatively high cost of servo valves.

However, some proportional solenoid valves come close in performance to servo valves.

Robert Bosch is one supplier making closed-loop proportional valves that function much like servo valves. In terms of application, the valve will control flow or pressure, actuator position, piston velocity and actuator force or torque.

Servo valves operate in closed-loop systems whereas, until recently, proportional solenoid valves were intended primarily for use in open loop circuits. Here, the valve spool is positioned in response to an electrical input, but the load position is not fed back to the control circuitry. As a result, the positioning accuracy of proportional valves is far less than that of servo valves.

The major benefit seen in the latest designs of proportional pneumatics is not so much high accuracy or high speed as free programmability. This allows a virtually limitless variety of operations with a single system, and ability quickly and easily to change operations.

The way that control valve technology has advanced in the UK was evident from the different electronically controlled fluid power products and systems demonstrated at the Design Show at the NEC, Birmingham, in September. A hands-on demonstration of electro-hydraulics by Rexroth showed the fine control that can be achieved when raising and lowering bridges and also over devices used in London theatrical musical productions.

There is another way for solenoid valves to link electronics to pneumatics. This is by means of a special interface unit, comprising a printed circuit board with electronic circuit components and solenoid valves mounted together and integrated. The innovator is Parker Schrader Bellows with its VIP pressure control unit. Among its notable features are the internal closed-loop; no air supply in the steady state; unaffected by supply pressure fluctuations; and unaffected by vibration.

A trend in which Parker Hannifin has also been involved is to locate the electronics interface on the valve itself. Control valves have always been the cornerstone of the fluid power system. Integrated with electronics, they promise to open up even wider application horizons in future.

UK MARKET

Pains of growth

TO THE onlooker fluid power has all the appearances of a young industry with growing pains as it comes to grips with electronics control and the intricacies of programming fluid pressure functions.

In the British market there has been increased penetration by Japanese components supplied by SMC Pneumatics. The UK arm of this company operates from Milton Keynes, where it is building a factory which should be ready for occupation in the spring of next year. More UK-based manufacturing operations are to be undertaken and a cylinder production line set up.

By far the biggest UK supplier in the pneumatics field is IMI Norgren Martonair. Already well known for the Norgren range of compressed air line supply and conditioning equipment, as well as Enot's push-on and compression tube fittings, the group created new and substantial marketing opportunities by the merger because of Martonair's long-established reputation for all-round expertise in fluid power applications.

Martonair is a company with depth in research and development, a broad product range which includes modules for the assembly of robotic-type pick-n-place machines and, most important these days, electronic programmable controllers to meet the needs of the new era of logic-driven automation. Backing up these facilities is a nationwide network of sales and service centres.

With larger worldwide sales of hydraulics and electromechanical products, Parker Hannifin is now competing strongly in Europe on the pneumatics front through the acquisition in 1986 of Schrader Bellows, the Midlands-based company that competes directly with SMC Pneumatics, Norgren Martonair and Festo. The advantage of joining a group with sales of \$2.25bn for the fiscal year ending June 30 is already noticeable in the form of a new cylinder manufacturing plant being built at Rotherham for about £1.95m.

In addition, Parker is building new company headquarters at Hemel Hempstead which, when finished and installed with a new computer, will have cost around £3.5m. The company has its sights set on enlarging its European operation, and not only in the sphere of fluid power.

This was confirmed by another acquisition last year. Buying PKS Digiplan, one of UK's best exponents of electronic drives for electric motors, opened Parker Hannifin's doors to an expanding area of technology. In the US, the group already has companies involved in the design and manufacture of components and systems used on aircraft and other aerospace projects.

Parker Hannifin will shortly announce a new corrosion protection process for its A-Lok instrumentation tube fittings formed from grade 316 stainless steel. Contrary to the view of the man-in-the-street, stainless steel does corrode and even a high performance material like 316 can be affected. For many years the processing industries used what is loosely referred to as "compression fittings". A feature of the design is that when tightened a ferrule has to bite into the tubing to provide a secure connection.

Any new development that is brought into SMC Pneumatic's range of miniaturised pneumatic components originates in Japan. The company has a workforce of 3,500, of which 400 engineers are employed on R&D projects, and a product catalogue listing 1,500 different items.

The UK company, which was started in 1980, now has a turnover of around £½m a month. Its new factory, on a three-acre site, will initially occupy 4,000 sq metres and cost £2.25m to build and equip.

Because of the the smaller physical size of SMC cylinders and valves, UK electronics manufacturers are now taking advantage of savings on space and weight for automated equipment performing materials handling operations.

But the small component sizes have meant that SMC has come up against a problem with standards. As Mr John Carter, managing director, points out, it is quite right to build to accepted CETOP and ISO standards, but these can be restrictive especially when affecting performance. SMC, in fact, has seven ranges of valves smaller than the smallest ISO footprint.

This restriction of standards naturally brings out strong feelings. Mr Carter argues that because the products industry upholds, supports and builds components to these standards, it may be contributing to their mediocrity. He suggests that the standards should be radically revised to take account of the rapid development of new emerging technologies.

Carill Sharpe

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FLUID ENGINEERING 3

Raymond Hey looks at the hydraulics industry

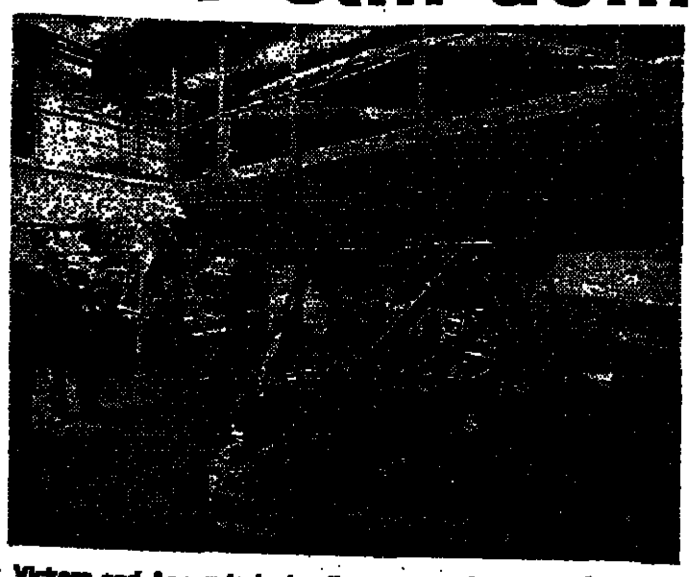
US still dominant

FLUID UNDER pressure can be used to transmit power very effectively. Where the fluid used is a liquid, this technique is referred to as hydraulic power transmission.

At the end of the last century hydraulic systems for power transmission, using water as the fluid, were already in use in London but the technology was relatively crude and there were problems with corrosion and leakage. There was little development in hydraulics at that time and the advent of reliable electrical drives provided a more competitive method of power transmission. Indeed, it was not until the late 1920s when mineral oils became available, together with new synthetic sealing materials, that interest in hydraulic power transmission was renewed and an identifiable hydraulics industry began to emerge.

However, it was after the Second World War that oil-hydraulic engineering really developed as a competitive form of power transmission and began to replace mechanical and electrical transmission systems in many branches of industry. Using the current designs of hydraulic systems, high powers can be generated and controlled precisely and such systems are favoured by many machinery makers, particularly in applications such as mobile and construction plant, mechanical handling, agricultural machinery and mining equipment.

Until 1979 hydraulics had been very much a growth industry in the UK with manufacturers of hydraulic pumps, motors, valves, cylinders and associated system accessories enjoying an expanding market. But around that time the effects of the decline in British industry began to be apparent as the demand for hydraulic



Vickers and Aeroquip hydraulic components are used to provide the motion on this aircraft flight simulator

equipment declined from important user markets such as mobile plant, machine tools and metal manufacturers.

In the recession which followed many machinery makers disappeared or were absorbed into larger groups, and this resulted in a decline in the volume market for hydraulic products.

These developments eventually resulted in considerable restructuring within the hydraulics industry which often involved a transfer of ownership to overseas groups. And although demand for hydraulic products is now much more healthy, some important British manufacturing companies in hydraulics such as Towler and Keelavite are now mere subsidiaries of multi-national groups.

However, overseas hydraulic equipment manufacturers continue to invest in their UK manufacturing plants because changed attitudes and lower manning levels have made British-based production plants more competitive internationally. It is also true that over many years UK engineers have made an important contribution to developments in oil-hydraulic technology and continue to do so, even though the ownership of their companies may have changed.

After West Germany, the UK is still the largest producer of hydraulic equipment in Western Europe, and there is a significant domestic user market.

But to put this into perspective, one should add that the West German output of hydraulic products is about three times that of the UK. G.L. Rexroph is the largest hydraulic maker in Europe and other major companies are Bosch and Linde.

That is hardly surprising for the correlation between hydraulic equipment sales and machinery manufacture is very direct and West Germany is a major producer of the types of industrial plant and machinery which employ hydraulic systems. The result of this large home market is that there are a number of German hydraulic equipment manufacturers with turnovers large enough to compete effectively in the international market.

But to appreciate these international trends one must consider the world market for hydraulic equipment – now worth about $10bn – in relation to the western industrial nations. In this market the US produces around 45 per cent of the total output. Japan's share is in the region of 19 per cent with West Germany having about 18 per cent and the UK 6 per cent. Although these percentage statistics relate to fluid power products – both hydraulic and pneumatic equipment – the market proportions are similar for both.

The US dominance in this field is reflected in the fact it has more multi-national companies with worldwide production and marketing facilities, such as Vickers Systems, Parker Hannifin and Commercial Intertech. And although Japan is a large producer of hydraulic equipment most of its output goes to its own machinery manufacturers – where there is very little import penetration – and to users in South-East Asia.

With one or two exceptions, Japanese hydraulics companies have made little effort to sell their equipment in Europe. That is surprising when one considers the high volume of machinery incorporating Japanese hydraulic equipment which is now imported into Europe.

While the larger multi-national hydraulic companies tend to dominate the market for pumps and valves, the medium-sized and smaller companies also play an important role by offering specialised components which often require shorter production runs. Other smaller companies are involved in systems engineering and distribution and provide a valuable service to users of hydraulics who make machines in small batches.

On the technical side of hydraulics there have been many advances in recent years which have resulted in improved performance and greater reliability. New materials and production techniques have permitted the development of components suitable for higher operating pressures, raising efficiency and leading to reductions in power to weight ratios.

Much development work has gone into improved filtration against fluid contamination and also with regard to reducing noise levels emanating from hydraulic equipment. But probably the most important recent development, and the one with most potential for the future, is the marriage of hydraulics with electronics. Improved control techniques, using electrically modulated proportional valves for controlling pressure and flow can now be linked with microprocessors so that intelligent machine power and control systems can be devised which will optimise output and performance.

Although the hydraulics industry is relatively small, and faces intense competition from improvements in electrical drives, there is every indication that by embracing electronic control techniques it will still be able to offer the most efficient solutions for many applications and that a steady growth in output will be maintained in the 1990s.

The writer is editor, Hydraulic & Air Engineering.

TECHNOLOGY

Clever controllers

THE INDUSTRY'S most exciting technical changes are taking place at the electronic interface, says Mr Duane Collins, executive vice president of the giant US fluid power corporation Parker Hannifin.

During a recent visit to his European HQ in Watford Mr Collins singled out proportional control, feedback and the use of programmable logic controllers (plcs). He said the electromechanical area was "something we are seeing more and more of all the time. You can't talk to anybody about our products now without discussing the electronic interface. It's a real opportunity, I believe, for our industry.

"In the early days, electronics was looked upon as a threat – but in fact it opens up a new range of business for us. The customer is getting a smaller package, better control and a superior product for his money. Improved fault diagnostics are important also."

Originally, Parker was an hydraulics-only company, but has now also moved into pneumatics and electric drives. Mr Collins explains the technical logic: "We see hydraulics as the medium for compact, high-powered control systems for all types of manufacturing, mobile, aeronautic and earth-moving equipment. Pneumatics is for low force systems requiring high velocity, from electronic equipment production to food manufacturing, and electric servo-motors for medium to low force systems with precise positioning."

The way in which electronics is applied to pneumatics has changed significantly over the years. Earlier this decade the goal was for pneumatic components to have inherent intelligence: to be able to operate to high levels of positional accuracy and to talk directly to other parts of the machine. Most of the main players in the pneumatics industry had research departments dedicated to achieving this end.

However, over the last five years they have realised that they had fallen into the classical research trap of re-inventing the wheel – that all this research had already been done elsewhere, usually in North America or South-East Asia. At this stage marketing directors dashed off and set up brand labelling agreements with global suppliers of control electronics, such as Mitsubishi and Hitachi. Many pneumatic systems are now managed by the ubiquitous programmable logic controller.

One British pneumatics company that has developed its own plc is market-leader IMI Norgren Martonair. Mr Alan Satchwell, its sales promotions manager, says: "The plc we launched earlier this year is not all-singing, all-dancing, but has been designed specifically for use in compressed air systems. Electronically it is rather simple, but externally it has been made more rugged for the industrial environment."

Mr Chris Hooper, marketing manager at Compair Maxam, a long-established pneumatics manufacturer, says his system division now employs more electronics than pneumatic

'It is not all-singing and all-dancing, but it is more rugged'

engineers. "This is part of a deliberate policy as most pneumatic systems are now plc-controlled, and the control is usually the clever bit.

"Pneumatic actuators have come full circle. Forty years ago they were simply replacing manual effort; then came pneumatic logic and fluidic control; now this has been superseded by electronic intelligence and compressed air is back to the power work.

"Of course, this means that the pneumatic actuators have to be more 'electronically respondable', with built-in proximity switches to interface with the electronic minder.

"Our industry is waiting for a breakthrough at the moment. And that is most likely to be absolute position control."

Exact position control will prove difficult to achieve because of air's compressibility, but a development introduced to the UK in September by Robert Bosch, the German industrial giant, has approached that goal.

For some years Bosch has been integrating encoders onto actuators to give a continuous position signal, but has now also built electronics into its valves to monitor the amount of air let into the actuator. The two signals are compared electronically to produce one position signal to a high degree of accuracy.

"The new system can be used as an alternative to electromechanical actuators in some cases, and it gives force as well and position control," says Mr Roger Ilett, Bosch's UK pneumatics manager.

The valve was developed from hydraulics technology. Hydraulic power has one notable advantage over pneumatic – hydraulic fluid is virtually incompressible, so far greater loads can be moved and positioned for more accuracy.

Servo hydraulics is the technical discipline used for positional accuracy and is already a well-developed area of expertise.

Servo hydraulics specialist Moog Controls has developed a range of electric servomotors, launched in the UK in October. Mr Robin Normington says: "We have always been at the high-tech end of hydraulics, and brushless drives are a natural extension. Now we'll be able to offer a choice of electric or hydraulic drives in applications such as laser cutters and other machine tools." Moog UK has also begun marketing a CNC motion controller, which interfaces with electric drives or hydraulic valves.

In the last month Digiplan has launched a series of electric motor controllers. Mr Roy Home, managing director, explains: "We had been working on the concept of a universal motor controller that could be used with any type of motor. Once we joined the Parker group we realised it could be adapted for hydraulics too.

"Our controller operates on a valve developed elsewhere within the Parker group which feeds the oil into the actuators. The clever bit of the controller is in the software, not the chip, and the valve is very efficient for its high performance."

Motor control company Berger Lahr is now responsible for introducing SIG's hydraulic amplification techniques to Britain which, says Mr Dave McCarthy, general manager, are little known in the UK but accepted throughout Europe.

"The benefits of such a system are the precision and ease of control normally associated with an electric motor – especially with digital electronics, while using the sheer power normally associated with hydraulics. It allows fast positioning of fairly large loads."

Bob Dobson

Bob Dobson on the advantages

Hydraulic lifts take off

PASSENGER LIFTS powered by a hydraulic ram rather than electric traction motor have been coming to the fore over the past 15 years or so. Prince Charles, with his views on architecture, may have unwittingly banged one more nail into the coffin for traction lifts.

New high rise building today, and for the foreseeable future, is for commercial use only; and this type of building is the domain of the high speed traction lift. Almost all other types of new building use fluid power drives.

"Nearly 70 per cent of all lifts installed now are hydraulic, whereas 10 years ago it was only about 30 per cent," says Mr David Fazackerley, director of the National Association of Lift Manufacturers. "This past 12 months has seen the lift industry take off after years in the doldrums."

The retrofit and refurbishment markets are increasingly going for the hydraulic option. The rapidly growing number of "feature" lifts, designed to be aesthetically pleasing and a highly visible part of the interior or exterior design, are nearly all hydraulic.

With these new developments comes new legislation. Mr Fazackerley has worked closely with BSI to bring out new draft British Standards for the technical specification of hydraulic lifts this summer, aimed at greater European harmony as well as safer, more efficient lifts.

"Hydraulic lifts first became popular in the US some years ago," says Mr Alan Stannah, managing director of Stannah Lifts. "The switch from traction to hydraulic in the UK began about 15 years ago. This coincided with the move away from high-rise buildings to low and medium-rise, and now the vast majority of lifts are hydraulically driven.

"Hydraulic lifts have now taken precedence over traction lifts since planning authorities do not like motor rooms producing an untidy skyline at rooftop level."

With the trend towards out-of-town shopping precincts and high tech buildings, many of the latest lifts are focal attractions rather than primarily means of transport.

One example of a lift creating ambience is the Funicular at the Wandsworth Arndale Centre in South London. It was designed and installed by Stannah Lifts, and is believed to be the world's only revolving lift.

More a pleasure ride than a mode of travel between floors, the Funicular travels at an incline of 35 degrees, revolving a full 180 degrees in its journey. Like nearly all scenic lifts, it is hydraulically controlled.

With hydraulic lifts there is great flexibility as to positioning the motor room. In a traction lift the motor room is nearly always on top of the lift shaft and so may need housing at rooftop level. This can distort the skyline and has become increasingly unacceptable to planning authorities in recent years. To locate the motor room elsewhere requires the use of expensive, and probably inefficient, power transmission mechanisms.

The motor room for a hydraulic lift is placed not above the shaft but beside it. It can even be located some way from the lift shaft (25 metres or more). For connection to the lift itself, only one or two flexible hoses running along a service duct are required.

Another major advantage of having the motor room some way from the shaft is that passengers suffer far less noise. This is particularly important in hotels, hospitals and nursing homes where bedrooms may be adjacent to the lift shaft. Nursing homes and hostels based in Victorian and Edwardian houses are helping advancing hydraulic technology by demanding more compact power packs and pumps.

Reduced size is a trend always demanded by users of hydraulics. In high speed, high power industrial applications where the hydraulic fluid is worked very hard, miniaturisation causes reduced heat dissipation and a balance has to be struck between physical compactness and operating efficiency. But lifts are not so demanding of their drives, so it is often lift manufacturers who lead the way in hydraulics miniaturisation, leaving industrial users to follow later.

Hydraulic lifts offer a simple emergency release system. If the lift car stops between floors, then the hydraulic fluid can be released by pressing a button. The lift car then glides slowly down to the nearest floor and passengers can be released.

While training is needed for this procedure, it does not call for a qualified lift engineer on site. A hotel manager or nursing home owner can be trained to release the hydraulic fluid correctly, so passengers can be freed safely and swiftly.

To release passengers in a traction lift, the lift machinery needs to be hand wound from the motor room – no easy task for the matron of an old people's home. Because the power pack is usually located on the ground floor, all the loading passes directly to the foundation, rather than through the structure of the building.

Lifts can be run by a direct hydraulic ram, but today are more often run by an indirect hydraulically coupled ram via a roping (steel cable) system. This has the effect of gearing, usually with the ram travelling only half as far as the lift car. With the indirect method the ram is mounted at floor level, but with direct rams a pit as deep as the building is high is needed to house the ram when the car is at ground floor level.

Telescopic rams can be used to reduce the size of the pit, but at the expense of a far more complicated ram that will require more maintenance.

According to Mr George Thomas, technical director of Hammond & Champness, "direct drive lifts are having something of a resurgence, mainly for atrium and shopping centre feature lifts, having been superseded in popularity by indirect drives for the past 20 or so years. Architects and designers certainly like them, because the ram has a nice, clean, polished appearance

The writer is editor, Drives & Controls.

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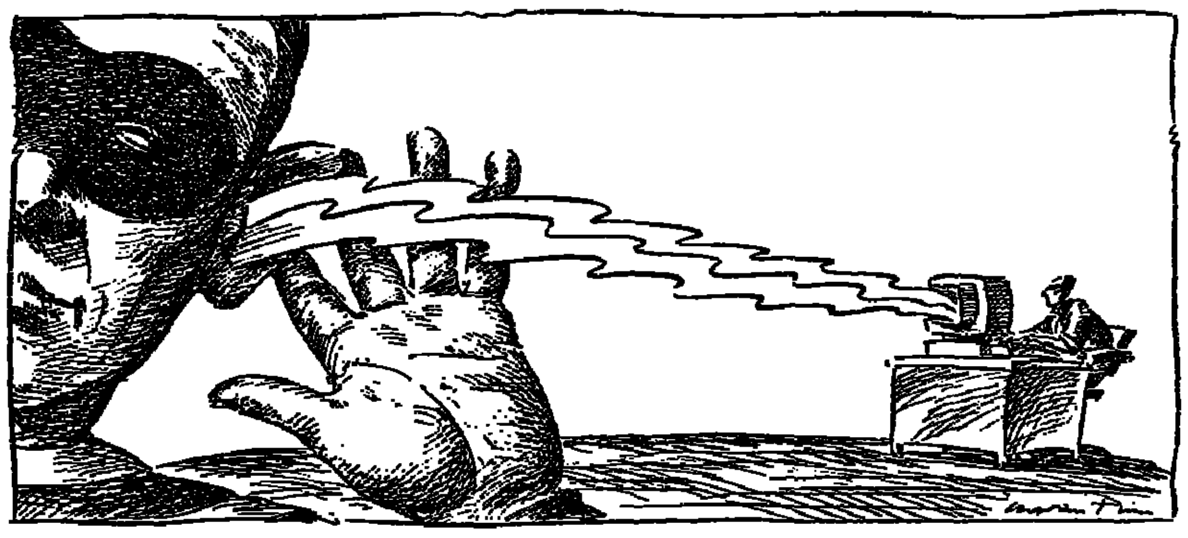
TECHNOLOGY



In the last article of a series on computer security, **Clive Cookson** explains how to stop outsiders picking up data via radiation

How Tempest can rule the radio waves

FOR MORE than a decade the danger of electronic eavesdropping has forced most Western governments to protect computers that handle secret information. The protective technique – still known by its Nato codeword, Tempest – is now being made available for the first time to commercial users with particularly sensitive computer networks.

The laws of physics mean that almost any piece of equipment carrying electronic signals also radiates electromagnetic energy, in the form of radio waves. If the radiation is not suppressed, computer keyboards, display screens, printers and cables act as miniature radio transmitters. An eavesdropper with an aerial and processing equipment can pick up the signals and copy information being entered on a terminal or printed out.

"Listening equipment can be installed in a van and pick up clear radio signals two or three hundred metres from the target building," says Mike Comer, managing director of Network Security Management, a computer security company owned by Hambros Bank. A sensitive electronic eavesdropping kit costs less than £10,000.

However, most commercial computer users concentrate their security precautions on preventing unauthorised access to terminals linked directly to their network – and ignore the possibility that someone might be listening in from an innocent-looking delivery van parked across the street.

Governments, on the other hand, routinely order Tempest computers and printers. These have been built to suppress electromagnetic leakage and are not vulnerable to electronic eavesdropping at distances greater than a metre or so. Trend, a leading UK manufacturer of Tempest equipment, estimates that the market is worth about £150m a year in Nato countries. Although most Tempest equipment is used by the armed forces, intelligence agencies and embassies, it is increasingly being installed by other government departments to process sensitive information.

The authorities responsible for regulating Tempest – the National Security Agency (NSA) in the US and the Government Communications Headquarters (GCHQ) in the UK – also carry out electronic surveillance on behalf of their governments. They are understandably anxious not to make the job more difficult by letting their potential targets know how to protect themselves; so until very recently Tempest was reserved exclusively for government computers.

That attitude is beginning to change. GCHQ has told the 50 or so manufacturers which belong to its Industrial Tempest Scheme (ITS) that it is keen for them to start selling Tempest equipment to large companies with computers handling sensitive information, such as financial institutions.

Sales must be approved by GCHQ through the Industrial Tempest Scheme. David Welch, ITS director, says that each case will be reviewed on its merits; buyers must be "reputable and trustworthy" companies and must undertake not to move the equipment outside the UK.

He hopes soon to receive the first request from a manufacturer to sell Tempest computers to the private sector. "One major bank is in close contract negotiations to buy a Tempest system."

The UK Government has two main reasons for promoting Tempest in the private sector. The first is to encourage better computer security. The second, as Welch puts it, "is that by widening the customer base for Tempest equipment we should be able to reduce costs."

Until now Tempest computers and peripherals have cost between 50 and 200 per cent more than unprotected commercial devices with the same performance. Several factors account for this price premium:

- Production runs are much shorter than for standard commercial products.
- Manufacturers have to invest in expensive product design and testing facilities to ensure that radiation emissions from the equipment are low enough to meet the Tempest standard.
- Manufacturing costs are higher because components are enclosed in metal to block the radiation. A personal computer may be housed inside a moulded plastic casing lined with zinc. Display terminals have fine mesh screens added in front of the cathode ray tube. Cables require extra sheathing unless optical fibres (which do not leak radiation) are used.

In a further effort to reduce manufacturing costs, GCHQ has introduced a second Tempest standard which permits equipment to emit slightly more radiation than the original specification. Jeff Strathdee, marketing director of Trend, says that this change will cut the *price premium above unprotected* equipment by at least half.

There is no equivalent move in other countries to promote Tempest to commercial users. "The UK has definitely taken the lead," says David Barry, Tempest marketing manager for Wang, the US computer manufacturer. "There is an understanding in the US that commercial systems are vulnerable, but it is felt that there is no potential threat."

In other words, US companies realise that electronic eavesdroppers could listen into their computer transactions but they do not believe that anyone is actually doing so. Barry expects them to ignore Tempest until someone produces clear evidence of industrial espionage or computer crime using electronic eavesdropping.

However, such evidence is extremely hard to obtain, as Mike Comer of Network Security Management points out. He is sure that electronic eavesdroppers are at work in the City of London, gathering confidential information about mergers and acquisitions.

Even so, companies concerned about electronic eavesdropping can reduce the risk without going to the expense of buying full-blown Tempest equipment. Security consultants can advise users how to relocate their computers and peripherals so as to cut down the amount of radiation leaking out. It is better, for instance, to group terminals in clusters well away from external walls than to site them around the outside of a building. And there are ways to arrange the cables between computers to prevent them broadcasting to the outside world like radio antennae.

In addition, some non-Tempest devices emit more radiation than others. For example, standard cathode ray screens generally leak more than the smaller, flat-panel screens used in portable computers, which *have gas plasma or liquid crystal* displays.

One UK manufacturer, Densitron, has launched a range of gas plasma display terminals operating with a "four bit parallel binary code". The company says that by sending data to the screen in groups of four simultaneous pulses it prevents decoding at a remote receiver. Conventional terminals use a "serial code" which feeds data to the screen bit by bit and is easily decoded.

But the only way to be certain that a computer system is protected against electronic eavesdropping is to make sure that all individual devices and connections between them meet the Tempest standard. It remains to be seen whether discreet pressure from GCHQ will persuade *commercial users that the potential* risks justify the additional costs.

As Jamie Jamieson, managing director of Oceonics SPL, a leading UK Tempest manufacturer points out, "one sign of how far we've come is that they're planning to run the first course for banking people at GCHQ next year."

Previous articles in this series appeared on November 17 and 24 and on December 1.

WORTH WATCHING

Edited by Geoffrey Charlish

Window shopping becomes serious

RETAILERS can provide potential customers with pictures and details of goods, even when the shop is shut, using an interrogation and display system from Digithurst, of the UK.

The equipment consists of a personal computer with hard disk storage, a colour display screen and keypad. The pad can be mounted on the inside of the shop window and the customer operates it through the glass by placing a finger over the chosen button. When the shop is open, the system can be used inside by browsing shoppers.

Using a "tree and branch" technique, the stored information can be displayed to the user at levels of increasing detail.

For example, in an estate agency, the starting picture would be a map. Using the four cursor control keys, the customer can place the cursor over a particular town to see a list of the properties offered there.

Using the numerical keys, three properties can be selected and pictures of them displayed. Finally, details or interior shots of each can be seen.

Although the storage capacity is limited, the information can be easily updated by the retailer using a video camera and the PC – the capture, storage and arrangement of video data is a Digithurst speciality. The company will supply modules allowing various degrees of sophistication in handling the images.

A basic version of the Customer Information System, or CIS, can be leased for £130 a month.

Finding a finer fibre filter

DU PONT, the US chemicals group, can now produce Teflon fibre with twice the fineness of the standard product. This permits the production of denser, finer and less porous filter material than previously achieved.

The new PTFE (polytetrafluoroethylene) fibre will offer substantial advantages to air filter manufacturers. For example, weight for weight, the fibres give about 30 per cent more fibre surface in a filter felt.

Since the felt is more efficient, less is needed to achieve the same efficiency than with thicker material. So, in air filtration applications, a thinner filter bag can be used.

The savings could be significant, says Du Pont, because the PTFE medium can represent half the cost of industrial filtration systems.

Apart from better dust separation, the material has the ability to withstand relatively high temperatures, is impervious to harsh chemicals and, with its low-friction properties, is easily cleaned of dust cake.

Advice for firms via CIMulation

HAWKER Siddeley, the UK industrial group, and Logica, the London computer systems and software house, are to market a service based on computer simulation which aims to help European manufacturers improve productivity.

The two companies have established the CIMulation Centre at the Hawker Siddeley premises in Chippenham, Wiltshire, where their experts will advise companies investigating computer integrated manufacturing (CIM).

CIM is an advanced concept in manufacturing. The aim is to unify existing and new computer control systems in a plant that can automatically deal with everything from order input to packaging.

The Chippenham centre will use tailored simulation programs to generate animated, working diagram-models of production processes in full colour. Time will be speeded up on the screen so that manufacturers can see in minutes the effect of changes to production processes.

A hot tip for new materials

TECHNICAL Insights, the New Jersey technology market research group, believes that advances in a technique called self-propagating high temperature synthesis, SHS, will accelerate the use and development of advanced ceramics, plastics composites and other materials.

SHS, which was originally investigated in the Soviet Union, employs constituents which produce heat. Self-induced temperatures up to 3,500 deg C sharply reduce reaction times. The aim is to facilitate the production of materials with resistance to wear, high temperature and corrosion.

High temperature ovens are not needed and hour-long processes are reduced to minutes or seconds, combining synthesis, densification and burn-off of impurities in a single step.

But Technical Insights says that comprehensive information about the techniques has been lacking, so it has compiled a report called High Temperature Synthesis of New Materials. This attempts to give complete data about technology, markets, researchers, patents, licensing arrangements and partnership opportunities. It costs $995 outside North America, $955 within.

A connection that lets a PC read

FORMSCAN, of Somerset in the UK, is offering a £4,995 printed circuit board. When used in an expansion slot on an IBM personal computer (model AT) and connected to a suitable scanning system, it will allow almost any printed or typed matter to be read into the computer.

The material can then be edited immediately, as if it had been generated on the computer's keyboard.

Working at 100 characters per second, the Typereader puts scanned documents into formats used by word processing, desk-top publishing, spreadsheet and database software.

CONTACTS: Digithurst: UK, 0763 242955. Du Pont: Switzerland, 22 378111. Logica: London, 637 9111. Technical Insights: US, (201) 568 4744. Formscan: UK, 0373 61446.

ARTS

Old Master draughtsmen

Susan Moore on the exhibition at Hazlitt, Gooden & Fox

A commercial drawings show that kicks off with two Leonardo da Vinci caricatures, closes with one of Seurat's miraculous conte crayon sketches, and in between offers unpublished drawings by the likes of Fra Bartolommeo, Andrea del Sarto, Guercino, Guardi and Piranesi, must be out of the ordinary these days.

The exhibition, at the newly reconstituted Hazlitt, Gooden & Fox (until December 9), presents 68 sheets in all. Dutch, Flemish, English and French drawings find a place, but Italian Old Masters predominate in this show of recent acquisitions. It is quite simply the finest group of master drawings seen in a private gallery in London for many years.

In such an exhibition it is always interesting to see not only new discoveries and attributions, but also what has recently resurfaced. The market for the best Old Master drawings remaining in private hands is a somewhat recherché pass-the-parcel. The quality of the drawings may diminish, but the music and the smallish band of collectors play on.

The two tiny profiles by Leonardo came from one of the world's most distinguished, and once presumed inviolate, Old Master drawings collections: the 2nd Duke of Devonshire's. Sold in 1984, they are now in the Getty, and are among a small group of exhibits loaned back for the show. These grotesque heads, minutely executed with scientific dispassion, testify to Leonardo's chilling fascinating with freaks of nature. The show is worth a visit for them alone.

Equally well documented is the Tiepolo illustrated here, or an early Parmigianino of the Holy Family with Saints and Angels. This pen and brown ink and wash drawing is probably an early preparatory study for the "Holy Family" in the Prado, like the sketch on its verso.

Guercino, one of the most prolific and inspired draughtsmen of the Bolognese seicento, is represented by four sheets. His large, bold, oiled black chalk study of a male nude dominates the upper gallery (in competition with Piranesi's frenetically scored architectural capriccio). The pen and ink landscape is an impressive example, a view of travellers approaching a walled town. His exploitation of the medium is masterly, not least his use of bare paper to suggest form and distance. The drawing belonged to Alain Delon, an avid collector, who shows extraordinary arrogance in choosing for his collector's mark Albrecht Durer's monogram.

Inevitably, some of the most outstanding images on offer are not those by household names. One of the most memorable is a study of the head of a bearded St Paul by the Brescian artist Giovanni Girolamo Savoldo (c1480-1548). The head, powerfully modelled in chalks, is characteristic of the few surviving sheets by the artist. The intensity of the observation is such that we can almost feel his presence. Such a man could be founded on the street today.

Tiepolo's drawing of a gondolier with two noble patrons on the molo, Venice

There are exquisite drawings in red chalk, that most seductive of media: Leonardesque studies by Giovanni Agostino da Lodi, and a delicate drapery study by Tanzio. Fra Paolino's black chalk study for St Lucy is far more covetable than the more "important" Madonna by Fra Bartolommeo. Heemskerk's pen drawing dated 1560 is a gloriously gruesome scene of Judith holding up with some disgust the newly severed head of Holofernes.

Perhaps the most engaging piece is Ligozzi's watercolour "Persian with a Camel" (a queer, rubber-necked beast with a wig for a hump). Executed in 1517, it is one of a series of which 21 are in the Uffizi. The other delightful curiosity is Stefano Della Bella's pen and wash bird's-eye-view of a spectacular horse ballet performed in Modena in 1652 before the Archdukes Ferdinand and Sigismund of Austria. The horses and chariots manoeuvre to create patterns and initials – a sort of cross between dressage and the Royal Tournament. Similarly, a shimmering pen and wash drawing by Guardi records a theatrical performance arranged in honour of the visit of the Grand Duke Paul Petrovish of Russia (son of Peter III and Catherine the Great) to Venice in 1782.

The English and French drawings begin on a far more sober note, with Inigo Jones's calligraphic "Philosophers Debating." That does not remain for long. "George III and Queen Charlotte driving through Deptford" is just about the most boisterous of Rowlandson watercolours. It is also the artist's most important exhibition drawing remaining in private hands.

Sir Peter Lely's sensitive head of a young woman, executed in chalks on buff paper, is one of a cogent group of lovely female portraits. From the hand of Michael Dahl comes a disarmingly fresh young girl. A haunting image of Lizzie Siddal, laudanum-dazed and seriously ill, comes last. Technically at least, D.G. Rossetti's pencil portrait affords interesting comparison with Ingres's sullen Madame Moitessier.

Apollo

COVENT GARDEN

Sylvie Guillem is the latest ballerina to take the Opera House stage in a welcome Parisian broadening of the Royal Ballet's horizons. On Tuesday night she appeared as Terpsichore in *Apollo*. Newly staged by New York City Ballet's Karin von Aroldingen, the text looks cleaner and more idiomatic than in earlier Covent Garden showings. Jonathan Cope has the heroic simplicity needed for the young god;the other muses – Fiona Chadwick and Deborah Bull – are well matched with Mlle. Guillem; all three mark the sharp accents, the twists and tilts of pose that give such continuing freshness to Balanchine's classic language.

Mlle Guillem is, of course a prodigy of technical skill, but here we were simply aware of a greatly gifted young ballerina able to explore the nuance of her dances with a serene ease and a feeling for their particular savour which would surely have pleased the choreographer. Mr Cope's Apollo, grand in scale, strikes me as the best the Royal Ballet has ever shown us. The young god's energy as well as his nobility are the grain of the dancing.

Sylvie Guillem returned with Mr Cope as partner – they are well matched – to set us in a roar with Victor Gsovsky's *Grand Pas Classique*. This has become her party piece, wherein she shoots phenomenal leg extensions past her ear, balancing the while with a radiant smile, or deploys the apparently tireless batteries of her technique to make us gasp. It is, most remarkably, preserved from vulgarity by her charm and nonchalant amusement at what she can do. Jonathan Cope responded to her challenges with secure dancing and no less secure partnering in a Brock's benefit of bravura steps. I wish, though, that Mlle Guillem would revert to a conventional bodice for this number: the black lace polo-necked outfit she adopted on Tuesday night made her look more vamp than dancer.

The programme also included David Bintley's new *Spirit of Fugue*. I can find little to admire in it: the natty, neat dances stunt their cast, and make them look like children scampering beneath Terry Bartlett's over-emphatic designs. Seen after the largeness of scale of *Apollo*, *Fugue's* outlines look mean and indecisive, and the cast unrelievedly perky.

*

On Monday night another ballerina from the Paris Opéra was the Aurora in *The Sleeping Beauty*. Isabelle Guérin is an assured, commanding performer, but this debut was notable only for her evident physical resource when faced with an unfamiliar stage and role. Her dancing seemed otherwise to impinge little upon characterisation or choreography. To describe the account of the score under John Barker as undistinguished would be high praise.

Clement Crisp

Candide

OLD VIC

Leonard Bernstein's "comic operetta" has become a cult in its 30-odd years of existence, with a performing history as complex as *Boris Godunov*. The score's echoes and *hommages* range from Gilbert and Sullivan, through Brahms and Strausses Johann and Richard, to a spiky orchestral bustle, as if Stravinsky had dipped a toe into the treacherous waters of Broadway.

The final chorus, where the famous last words of Voltaire's novel turn into a chastened vow "to make our garden grow," has the spare, sober lyricism of Copland (it may have been in Stephen Sondheim's mind at the end of *Merrily We Roll Along*) and remains one of the most moving numbers Bernstein has composed. It is typical of John Wells' and Jonathan Miller's tub-thumping, over-emphatic production that this cautious, sober accommodation of reality is accompanied at the Old Vic by a romantic clinch.

Andrew Clements criticised the production's sagging pace in these pages in May when Scottish Opera unveiled it in Glasgow; it has evidently not quickened. The comedy is dreadfully unfunny, sometimes embarrassing. The book (finally re-written by John Wells) is still disjointed and rambling.

Sundry versions of the score in its various revisions have been plundered, so presumably we get most of Bernstein's additions and revisions over the years grafted on to the firm operatic basis of the 1956 original. But not all: gone is that rancorous hymn to exasperated boredom, "Quiet."

Richard Hudson's designs are handsome: the picaresque globe-trotting is conveyed with models and toy props, the costumes are lush. The acclaimed Marilyn Hill-Smith alternates as the misused Cunégonde with Rosemary Ashe who sang the role on the first night.

A slightly chirrupy voice, squally under pressure, sailed through that *coloratura* send-up, "Glitter and Be Gay," with relish if little finesse. Her London predecessor, Mary Costa, subsequently heard at Covent Garden and Glyndebourne, had a gleaming blonde roguishness that expressed more with a raised eyebrow than all Miss Ashe's vigorous mugging and swaying.

Mark Beudert's Candide is engagingly boyish and fresh, with only a hint of strain on the higher notes of "El Dorado." Mark Tinkler, currently a much-praised Billy Budd, has Superman looks and a burnished baritone but swallows too many of his words.

Nickolas Grace as the narrating Voltaire, besides Pangloss and others, soon outstays his welcome as he rushes on, adjusting another costume and ogling the audience knowingly.

To my teenage eyes, the 1959 production was distinguished by an unknown, beaky and beady-eyed, who invested the Governor of Buenos Aires with a comic lugubriousness that stole every scene: Ron Moody. Here Alexander Oliver's broad romping is appropriate to the general lip-smacking approach.

Now that Ann Howard is occupied with Katisha at the Coliseum (in Dr Miller's increasingly irritating *Mikado* production), Patricia Routledge portrays the Old Lady with the musicality we remember from her Grand Duchess of Gerolstein, plus more voice and that comic gift uniquely her own. She is too wily a trouper to be stifled by the dilettante uncertainties around her. The score is a gem, the stage show a hybrid. This version, all-jigging, all-leering, all-eye-rolling, does nothing to mend its inherent flaws.

Having ruined the village-like atmosphere of one of Edinburgh's pleasanter areas with its elephantine new headquarters (and threatening one of the best second-hand bookshops in Scotland), Standard Life shows the impartiality of its city blight by sponsoring the production for the Glasgow-based Scottish Opera.

Martin Hoyle

Roots

NEW TOWNGATE THEATRE, BASILDON

"A marvellous third act and two acts of naturalistic padding" was Peter Hall's verdict on Arnold Wesker's classic 1959 study of a Norfolk country girl finding her voice when finally jilted by her improving, socialist London lover.

Simon Curtis's patchily rough-house revival for a National Theatre educational tour (sponsored by BP) rejects Royal Court grainy realism but still manages to confound that opinion. Accents range from Mummersetshire to the Deep South (of America), the folding of clothes is painfully inexpert, the incontinent old neighbour, Stan Mann, is doubled with, but hardly differentiated from, Beatie Bryant's father by the four-square Ewan Hooper.

Yet the vitality still comes through. Those first acts are instinct with the rhythms and drudgery of the decent untroubled living that Beatie challenges with her abstract painting, parrotted defence of strike action and whirlingly infectious enthusiasm for the "Farandole" section in Bizet's L'Arlésienne suite.

The domestic rows and resentments are as recognisable as ever, and what, pray, is dated about Beatie's excoriation of conversational indolence and the general easy acceptance of third-rate newspapers and pulp fiction?

The birth of a meritocratic intensity may strike young audiences today as quaint, but one hopes not. I used to think *Roots* was about social mobility through the acquisition of learning, but I now see it is much more complex than that.

Pam Ferris's magnificent mother, physically modelled on the late, great Dandy Nichols with her rolling girth, piggily uncomprehending features and habitual truculence, forcibly articulates Wesker's sympathetic view of the nurturing background to Beatie's exodus. There is dignity in her silliness, and you almost cheer when she lands a ferocious right uppercut on the chin of her critical offspring.

The trouble is that a pert, pretty and obviously talented new actress, Maria Miles, is entirely too preppy and superficial as the heroine. The loss of her cultural virginity is not being scrawled across any recognisable identity. And in Beatie's case, you cannot anticipate her future without understanding her past.

In the great incantatory speech of self-discovery, which I have heard delivered like the expulsion of a dybbuk, Miss Miles comes across like Bonnie Langford doing an incongruous audition speech. The director even gives her a spotlight.

On Tuesday night, before *Roots*, Wesker himself gave a riveting reading from *Caritas*, his 1981 play about another Norfolk girl, Christine Carpenter, who does the opposite of Beatie Bryant in walling herself up as a 14th century anchoress. In denying life, she discovers, too late, she is also denying God.

Like *Roots*, the event took place in the Mirren Studio

Pam Ferris

(named after Helen, the local roaring girl from Southend), which is a complementary space to a wonderful 550-seater horse-shoe auditorium modelled on the Theatre Royal at Bury St Edmunds.

This sparkling Essex pleasure dome opened in April, and will salute the New Town's 40th anniversary next June with a community play written by Wesker, commissioned by Ann Jellicoe's Colway Trust, and delivered to the theatre by the playwright on Tuesday night.

Meanwhile, *Roots* continues on its way to South Wales next week, arriving in the National's Cottesloe auditorium for three performances after Christmas and settling into the NT repertoire in January.

Michael Coveney

Rumours

BROADHURST THEATRE, BROADWAY

No wonder the psychiatrist is the flimsiest of the cardboard characters in Neil Simon's farce, *Rumours*, at the Broadhurst. The play, admittedly written as therapy for the failure of Simon's third marriage, dwells on twists and turns of plot while an unpleasant, subconscious misogyny pervades the work. Wives and husbands bicker over a mystery that revolves round suspicions of infidelity; the humour sinks to a first act climax with all the women crawling on their knees.

The play opens promisingly on two guests emerging from a bedroom, where they have found their host, New York's deputy mayor, shot in the head. The hostess is missing. Since these first two guests are the couple's lawyer and his wife, they feel obliged to fend off the questions of succeeding guests, all there to celebrate a tenth anniversary.

Tony Straiges's elegant set has a long staircase and seven doors for the requisite slamming, but most of the toing and froing occurs in confrontational conversation among the confused and scared guests. The host's wound proves to be superficial, but he remains unseen in his bedroom throughout the evening, and the guests, as they are let in on the secret, try to figure out what happened.

They are all intimates of the deputy mayor – his lawyer, broker, psychiatrist, and a fellow politician. The broker, played acrobatically by Ron Leibman, enters as though tied to a board after having a car accident on his way to the party. The funniest character is the lawyer's wife, whom Christine Baranski endows with manic nervousness reminiscent of a young Carol Burnett. The psychiatrist, portrayed supinely by Andre Gregory, has a particularly thankless and humourless part, getting a lame joke out of being confused with the butler for donning an apron to make dinner.

The one gesture to the times is the dinner jackets and gowns the guests wear as perhaps a parting nod to the Reagan years. There is certainly no acknowledgment that two years ago an important New York politician committed suicide which inaugurated a corruption scandal still tainting Mayor Koch's administration. It may have inspired the playwright but only as a scene fraught with inane comic possibilities. Toilet humour, with three women trying to occupy the lavatory at the same time, has a bigger role in the play than any reflection on the times.

Laughs come at regular intervals, but fewer than the playwright intends. And the obvious gags and malicious bickering detract from the hearty good-humoured jokes of Simon's classics like *The Odd Couple*. Neither is there the spiteful cleverness of a *Butley*, where Simon Gray let the character at least enjoy the fruits of his malice. That was never this Simon's style. His humour has always had to do with character more than plot with the jokes coming as reflections on misfortunes that would be tragic were they not so funny. *Rumours's* characters in contrast serve as ciphers for the plot.

Director Gene Saks puts the cast through their paces, but fails to get them beyond the two dimensional. The only interesting but disheartening revelation is the playwright's own misanthropy. May it be only temporary.

Frank Lipsius

ARTS GUIDE

December 2-8

EXHIBITIONS

London

The Royal Academy. Henry Moore, a full retrospective exhibition to mark the 90th anniversary of the birth of one of the great artists of the 20th century.

The Royal Academy. Toulouse-Lautrec: The Graphic Works. A comprehensive selection principally of lithographs, from the definitive collection made by Otto Gerstenberg of the graphic work of this brilliant and innovative draughtsmen.

The Tate Gallery. David Hockney: A Retrospective. London's main gallery of modern art offers a full study of the golden boy of British art at the age of 50.

Paris

Louvre. Pavillon de Flore. Rembrandt and his school are on show in two exhibitions at the Louvre. 72 drawings constitute a panorama of Rembrandt's masterly work and can be compared with 54 drawings executed by his pupils. Entry from the Quai des Tuileries, opposite Pontroyal (42603926).

Galerie Daniel Malingue. Maitres Impressionistes et Modernes. Vieira da Silva opens an exhibition strong in colour and rigorous in choice. A powerful Max Ernst, placing large shell-like flowers into geometrical surfaces in a gradation of greens, dominates the first room. 26 ave Matignon (42666033). Closed Sun, Mon mornings and lunchtimes.

Musée d'Orsay. Cézanne, The Early Years (1859-1872). The 63 paintings and 20 drawings and watercolours, already seen in London and on their way to Washington, reveal a hitherto neglected period of the artist's life. The young Cézanne expresses his genius in compositions full of violence and eroticism – with the painter always the *voyeur*.

Musée de Cluny. Medieval art in Paris. The abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the blackened ruins of Roman baths.

Brussels

Le Botanique Contemporary Soviet Painting. Works of 12 modern Soviet painters including Steinberg, Rocter, Edzgveradze, Filatov, Chvikov, Yankilevsky.

Musée d'Art Moderne, 1-3 Place Royale. The First Group of Laethem-St Martin 1899-1914. A tribute to the colony of Flemish artists whose stylised paintings of rural and religious themes were to inspire a later school of Flemish expressionists.

Musées Royaux d'Art et d'Histoire, Parc Cinquantenaire. China, Heaven and Earth, 5,000 years of Invention and Discovery. Instruments and artworks largely from collections in Belgium, China and Britain which illustrate Chinese innovations in science and technology.

Braunschweig

European Baroque Painting: As a gesture of reconciliation 65 17th and 18th century paintings from the Warsaw National Museum are to be exhibited in Braunschweig, 50 years after the German invasion of Poland.

Vienna

Secession The Austrian painter Walter Eckert is now on exhibition until November 20. Worth also seeing Gustav Klimt's famous Frieze now back in its original place.

Messepalast. Post-war Austrian sculptures include Alfred Hrdlicka, probably the country's most celebrated artist. His work along with several of his contempories are on display for several more weeks.

Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege.

Rome

Ex-borsa in Campo Boario. A lively and absorbing show of works in various mediums by young artists (all under 35) working in Rome, none of whom have yet shown at major exhibitions.

Palazzo dei Conservatori (Campidoglio). Glass of the Caesars. Queues are stretching right across Michelangelo's Piazza, waiting patiently for a glimpse of the immensely sophisticated glass and tableware belonging to the imperial Roman court.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki.

Metropolitan Museum. The first major Degas retrospective for over 50 years has 300 paintings, sculptures and drawings covering the artist's career and various interests, from early classical motifs and stiff portraits to the ballet studios and washerwomen that freed his imagination.

New York Public Library. Two millennia of Hebrew books and illuminated manuscripts feature 185 rare and beautiful works, half from the library's own collection and half borrowed from abroad. Among the rarest historic items are Dead Sea scrolls and the 13th-century Xanten bible from Germany.

Chicago

Art Institute. Paul Gauguin. The artist's first major retrospective for 30 years includes more than 230 paintings from all the periods of his exotic and far-flung life.

Washington

National Gallery. The largest show of Michelangelo's drawings mounted in the US illustrates all the principal phases of his artistic development, divided into sections on draughtsmanship and architecture.

National Gallery. Seven Centuries of Japanese Art, as it evolved under the feudal *daimyo* lords is the subject of a major exhibition of 450 specially designated Japanese national treasures, including paintings, sculpture, swords, painted scrolls, ceramics, robes and lacquer.

Tokyo

National Museum. Treasures from the Horyuji Temple. The centrepiece of this small but exquisite exhibition from the great temple in Nara is the Kudara Kannon, a graceful camphorwood statue of the Buddhist goddess of mercy, dating from the 7th century. Closed Mondays.

Teien Museum. Paintings by Leonard Fujita. Fujita (1886-1968) was one of the first Japanese artists to live and work in France and his arrival in Paris in 1913 coincided with the first flowering of modernism. This representative selection of 40 oil paintings is drawn from all periods of his long career. Closed Mondays.

SALEROOM

Murillo aids wildlife

World Wildlife International is £660,000 richer today, thanks to the Dutch Royal family. Prince Bernhard and Princess Juliana of the Netherlands gave a painting of "The Holy Family" by the Spanish 17th century artist Murillo to Sotheby's for sale, with the proceeds going to the Fund. The saleroom had heard that the picture was in a poor condition and estimated it to fetch £80,000. When it got round to viewing the work it realised it had a minor masterpiece on its hands and the dealers thought the same. There was intense bidding and a very good price – in fact an auction record for the artist.

Top price in the auction of Old Masters was the £748,000 paid for a portrait of a gentleman by Frans Hals. It dates from 1639 when Hals was the favoured artist at capturing the new wealth of the Dutch mercantile class. It comes from the collection of Sir Joseph Robinson, the South African mining millionaire.

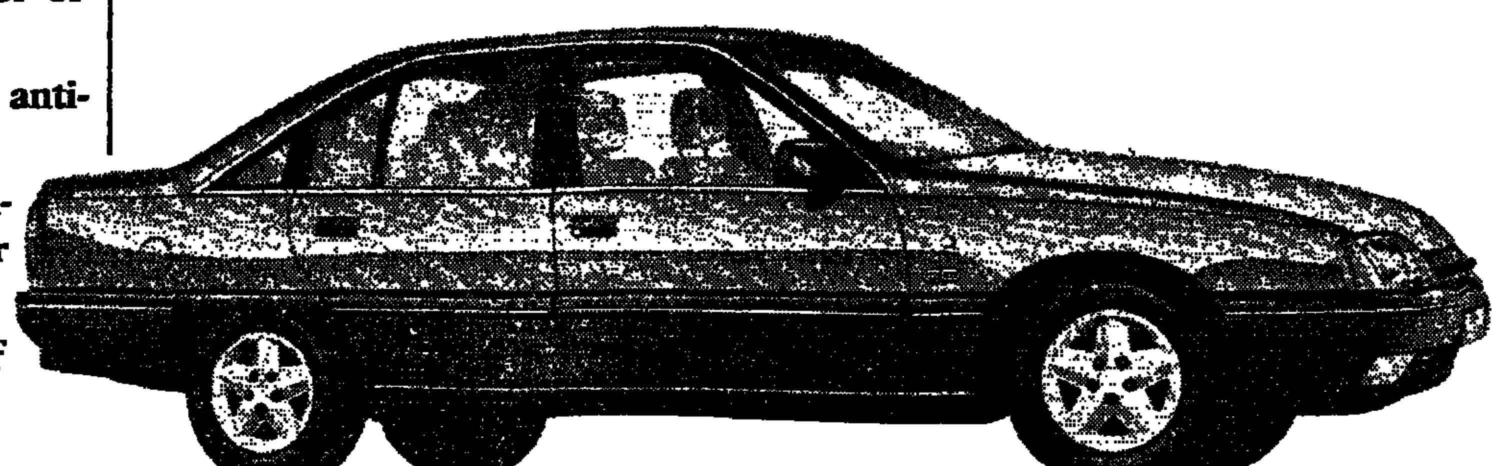
"The return from the inn" by the Flemish artist Pieter Brueghel the Younger almost doubled its estimate at £418,000 and another success was "The Madonna and Child with St John the Baptist" by Mecarino, which realised £297,000 as against a £90,000 top estimate. A brothel scene by Pieter de Hooch went below target at £198,000 while an early El Greco, a view of Mount Sinai painted while he was still in Italy, was unsold at £280,000. The sale suggested that Old Masters are still amazingly cheap when compared to Impressionists and Moderns.

Sotheby's held a separate sale of 70 paintings and drawings by Carlo Carlone, the leading fresco painter of the 18th century, which had been collected by Professor and Mrs Josef Matzker of Cologne. They sold for £271,810, but with 40 per cent bought in.

Every Christmas between 1904-1916 the Prince of Wales, later Edward VIII, received a Christmas card from Major Hugh Rose of the Black Watch, who had been an aide de camp to the royal family, on which he had painted the envelope with a theme for the year – everything from airships to a rugby international. The Prince gave the letters away in 1929, but they appeared at Christie's yesterday and realised £26,180, all selling.

Christie's yesterday sold the second Portolan atlas to be offered at the salerooms in a week. On Tuesday Sotheby's got £165,000 for one and yesterday one dating a century later, the 1580's, and attributed to Joan Martines, realised £41,800, at the bottom of the estimate.

Antony Thorncroft



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Thursday December 8 1988

A unilateral gesture

ONCE AGAIN Mr Mikhail Gorbachev has succeeded in wrongfooting his Western interlocutors with a set of decisions and proposals more daring than they had quite believed him capable of.

His speech to the UN General Assembly yesterday does not in itself resolve the imbalance of conventional forces in Europe, or any other of the remarkable range of international issues which it covered. But it is extraordinary that one even needs to say that. The almost desperate-sounding reminders from Nato capitals – that deeds not words are what matters, and that the measures announced would still leave a big advantage to the Warsaw Pact – are a kind of back-handed testimony to the radicalism of what Mr Gorbachev is saying.

It should, after all, be self-evident that a speech is only a speech, and it is, to say the least, unlikely that all issues in a complex negotiation will be resolved by a unilateral announcement. But the world has by now learnt not to take Mr Gorbachev's speeches lightly. If he proposes to abolish an entire category of nuclear weapons, it turns out he means it. If he says he wants to withdraw his forces from Afghanistan, he apparently means that too.

Specific pledges

For some time now he has been saying that he is willing to eliminate asymmetries in conventional forces in Europe, and that the Soviet Union was switching to a defensive military doctrine, based on the notion of reasonable sufficiency. One had at least to allow for the possibility that he might mean that too.

"Ah," said Nato's professional sceptics, "but the deployment, the structure, the equipment of Warsaw Pact forces remain highly offensive and superabundant. The tanks and submarines and other weapons continue to come off the Soviet production lines at the same breathtaking rate as before." They were right to say that, and they will still be right if they repeat it today.

But at least in yesterday's speech Mr Gorbachev addressed those issues directly, and he made very specific pledges about things which are to happen between now and 1991: six tank divisions to be withdrawn from East Germany, Czechoslovakia and Hungary and to be disbanded; assault landing troops with their weapons and combat equipment to be withdrawn from the same countries; total cuts in eastern Europe and European areas of the Soviet Union of 10,000 tanks, 8,500 artillery systems and 800 combat aircraft; an overall reduction of the Soviet armed forces by half a million men. These are measures that either will, or will not, be taken and it will be relatively easy for Nato to see which.

Matching the words

They are also, it is important to stress, unilateral measures, not negotiating positions. And one deed to match the words already happened yesterday, with the retirement of General Akhromeyev, the chief of the Soviet defence staff, who said a few months ago that the Soviet Union was "not in the business of making unilateral gestures."

Mr Gorbachev did not claim that these measures would in themselves eliminate the asymmetries in Europe. That remains to be done in the Conventional Stability Talks for which a mandate is still being hammered out in Vienna, and for which Nato is due to announce its own opening position in Brussels today. The talks will still be long and difficult, especially on issues such as aircraft in which the Soviet Union claims, and Nato strongly disputes, that Nato has superiority.

What Nato will be interested in is not the amount by which Soviet forces are to be cut, whether in absolute or percentage terms – for that after all depends on the starting-point, which Mr Gorbachev can increase as well as reduce unilaterally if he so chooses. What interests Nato are the ceilings which the Warsaw Pact is willing to accept as an end result. Those are not prejudged by the measures Mr Gorbachev announced yesterday. But the atmosphere of the talks, and the hopes of eventual success, must surely be greatly improved by what he has said.

The future of health care

WHEN FUTURE historians write about Britain's National Health Service, will the name Kenneth Clarke deserve a footnote, a paragraph or a chapter? The answer depends on the contents of the Government's health service review, which is to be published next month. But it already seems most unlikely that the Health Secretary will be able to resolve the central issue in health care – the issue that prompted Mrs Thatcher to commission the review in the first place. This is the question of funding.

Mr Clarke will argue that he won a generous increase in resources in this year's public spending round and will fight hard on behalf of his department in future jousts with the Treasury. An energetic minister is obviously a great help to the NHS, but it does not solve the medium-term problem. This is that health will be fighting for a slice of an ever diminishing share of gross domestic product – the Government remains determined to reduce the share of public expenditure in GDP.

The NHS, moreover, starts from a low base. Britain spends around 2-3 per cent less of GDP on health than is the norm in continental Europe. The shortfall is not just a reflection of NHS efficiency: waiting lists in countries like West Germany are virtually non-existent. Between 1989 and 1992, the planned total increase in health spending, after allowing for general inflation, is less than 4 per cent. This is considerably less than the expected growth of GDP.

Small comfort

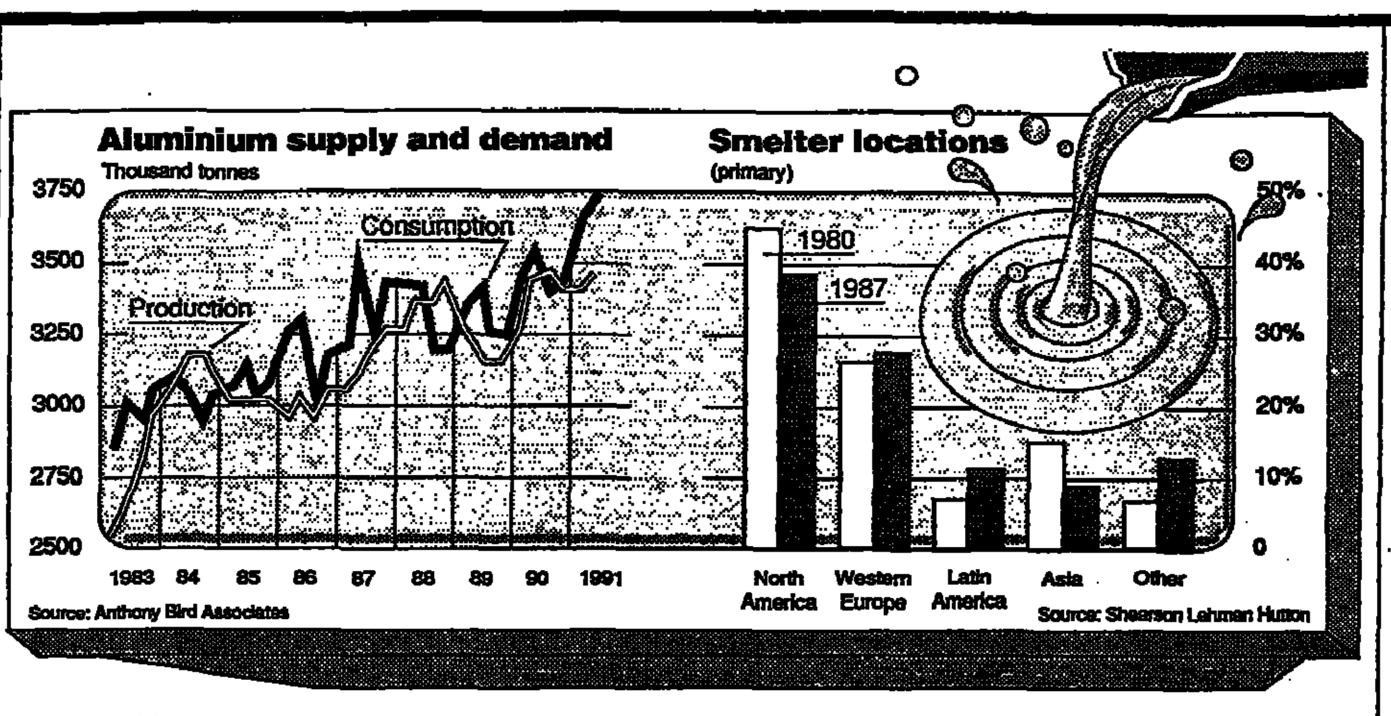
In practice, health may do better than this. The Treasury will be forced to shell out more cash in response to emergencies of various kinds. But this is small comfort. Rational development of the health service can hardly be planned on the basis of what might be available from the contingency reserve in a crisis. A formula for allocating to health a gradually increasing share of GDP is needed. In the absence of wholesale privatisation (which has never been on the agenda), there is no other way to meet citizens' wholly legitimate demands for steady improvements in the quality and availability of health care.

Funding is a nettle Mr Clarke will not want to grasp. His department is therefore trying to convince the media that the primary purpose of the NHS review is not to resolve the financing issue, but to improve the NHS's efficiency as a near-monopoly supplier of health care. Accordingly, it has been leaking radical-sounding ideas about health care delivery. One is that general practitioners should act as "budget-holders" – in other words buy hospital services on behalf of their patients. Another is that hospitals should be allowed to "opt out" of the NHS and become self-governing institutions funded, in part at least, directly by the Department of Health.

Old chestnuts

These ideas, far from being radical, are hoary old chestnuts. The notion that GPs could act as budget-holders has been tossed around in the medical economics literature for years. And independent hospitals were the norm in the 1930s before the NHS was established. The criticism then made was that health care provision was unco-ordinated and confused; the competing interests of independent institutions (not least for funds) made the planning of regional care next to impossible.

The Government may, of course, be able to make imaginative use of old ideas. Policies that failed in the 1930s could succeed in the 1990s. Much depends on the quality of management in the NHS and the willingness of politicians, including Mr Clarke, to take a back seat. The fact that the newly appointed chief executive of the NHS Management Board has a rank below that of the top official in the Health Department is a dispiriting sign that Whitehall is not yet ready to devolve power to professional managers. On the contrary, the plan that it should soon directly fund some hospitals suggests that officials are preparing for a still more influential role.



Kenneth Gooding looks at a surprising move by Pechiney

Bucking the trend

Not long ago Mr Theodor Tschopp, chairman of the European Aluminium Federation, admitted ruefully that those who said there was little scope for building new primary aluminium smelters in western Europe were almost certainly correct.

No wonder, then, that the industry is puzzled by last month's decision by Pechiney, the state-owned French group, to build a new aluminium smelter in France. Analysts who follow the industry's fortunes say that only French chauvinism could have prompted it.

The aluminium industry's finances were thrown into upheaval by the oil crises of the mid-1970s. About 20 per cent of the cost of producing aluminium is accounted for by the energy required; another 20 per cent by labour. Neither element is particularly cheap any more, not in France or anywhere else in western Europe.

The world's new aluminium production capacity is moving to countries such as Canada and Venezuela, where there is abundant, cheap hydro-electric power, or the Gulf, where use can be made of natural gas which would otherwise be flared away.

This new capacity will replace smelters in industrialised countries which were wiped out by the jump in energy prices. Virtually all Japan's primary aluminium smelters, once capable of producing 1.6m tonnes a year, have been shut for good. The US wrote off 20 per cent of its capacity in 1986 alone and a total of 1.2m tonnes since the energy crunch.

That tough US response to changed circumstances, together with the fall in the value of the dollar, has left western Europe, rather than the US, exposed as the region with the industry's "swing" capacity – those smelters which, because of their high costs, should be the first to close or reduce output in depressed market conditions.

Pechiney's decision seems doubly perverse because it was the senior partner in the Becancour smelter in Canada, inaugurated in April, 1986, and one of the lowest-cost aluminium producers in the world. But the French group sold half its 50 per cent interest to the rival Reynolds Metals group of the US.

However, seen through the eyes of the French Government, the latest Pechiney project has its attractions. The FFr 4.5bn (£410m) smelter will be built at Dunkirk, in a severely depressed industrial area, It will come into operation in mid-1991, just in time to soak up some of the excess capacity from a new nuclear power plant in the area operated by the state-owned Electricité de France (EdF).

The new smelter will also boost France's primary aluminium production to 400,000 tonnes a year when it was widely expected to drop to 200,000 tonnes because Pechiney is to close its outdated facilities at Noguères in the south-west and at Riouperoux in the Alps. Between them they have been producing about 80,000 tonnes of aluminium a year or well under half the 200,000 tonnes annual output planned for Dunkirk.

Some observers suggest that Pechiney could only justify its investment in France if it had a copper-bottomed, gold-plated deal for cut-price power from EdF. They also wonder if the French could win European Commission approval for such an arrangement, given that it would appear to offer a subsidy to Pechiney to the detriment of its competitors.

The French group already benefits from a low-cost energy deal signed with EdF about two years ago which enabled the Riouperoux and Noguères smelters to continue operating much longer than intended.

Pechiney insists that EdF will supply energy for the new smelter at "international market rates." However, EdF will also take a 49 per cent shareholding in the Dunkirk venture, and will therefore share in any profits.

The second element in Pechiney's new strategy makes much more sense to industry-watchers. The group is to buy American National Can for $4bn (£2.1bn) from Triangle Industries, a deal which will give Pechiney 30 per cent of the US metal container market and make it the world's biggest packaging company.

This fits well with the trend among the main aluminium producers to move more of their production downstream to higher value-added products to counter the cyclical nature of demand for primary aluminium. Pechiney must also have had in mind the fact that the company which reaps the highest revenue per pound of aluminium among the integrated producers is Reynolds Metals, until now the only one in the can-making business.

Reynolds uses about half the aluminium it produces to make cans and says that the average price of the aluminium it shipped to customers last year was $1.75 a lb whereas it collected $2.25 a lb for finished cans.

Although Pechiney's move into packaging might make a great deal of sense, analysts suggest it has paid highly for the privilege. They also point out that French groups in the past have not had much success running US subsidiaries because of the huge differences in the cultures of the two countries. When the deal is completed, Pechiney will have added FFr 30bn of extra annual sales to its current FFr 50bn of turnover and France will have become western Europe's dominant aluminium producer.

Cuts will continue elsewhere. In particular, Switzerland's Alusuisse is in the process of reducing its annual primary metal capacity to about 300,000 tonnes and instead will buy from other suppliers between 30 and 40 per cent of its aluminium requirements. The only expansion in capacity mooted outside France is for an additional 90,000 tonnes to 120,000 tonnes a year in Iceland – either in a new facility or as an extension of the existing Isal smelter.

This gradual divorce of primary production from the main aluminium consuming markets is causing some concern in the European industry, which perhaps provides some clues to Pechiney's thinking. Last year consumption of primary aluminium in the region reached a record 4.1m tonnes, some 600,000 tonnes more than output. Demand was satisfied partly by running down stocks and by increasing imports to 430,000 tonnes. The European Aluminium Association reckons demand this year will be at least 1.5 per cent above the 1987 record and imports will have to fill most of the gap.

Mr Tschopp has pointed out that the European industry is becoming increasingly vulnerable to exchange rate fluctuations because it is having to rely much more heavily on imports and the price is quoted in dollars. Mr Ian Rugeroni, metal marketing president for Alcan Aluminium, has also voiced concern about the polarisation of the aluminium business, with production taking place far from the centres of consumption. "This is nothing new for the copper industry – but the record of that industry for product development has been poor."

Pechiney's move gives support to those who believe that western Europe's primary aluminium capacity will not fall much further. Mr Jochen Schirner, vice-chairman of the European association, is among those who suggest there will be no more substantial smelter closures.

He reckons that, as the European Community moves towards more effective harmonisation by 1992 and as the European Free Trade Association countries also become more closely linked with the EC, so cheaper energy, in particular from nuclear sources, will flow freely from one country to another.

If this is the case, Pechiney will be one of the main beneficiaries and its decision to buck the trend will be amply justified.

Book Review

Lending help to the enemy

THE COMING SOVIET CRASH: Gorbachev's desperate pursuit of Western credit
By Judy Shelton
Free Press, $22.50

Let's be honest, Gorbachev is after our money. Beneath the charm, the frank admission of economic failure, the liberalisation of opinion, the speeded up emigration rate and the bold disarmament gambits, we must remember that the Soviet system is broke.

To forget such a reality would put the West at risk of being reduced to the humiliating posture of assisting an enemy to grow stronger. That is the burden of Judy Shelton's book. As she says: "It doesn't make sense to provide financial aid to the Soviets when we are spending billions to defend ourselves from the military threat they pose. American citizens should not be asked to work against themselves as taxpayers, and bailing out the Soviet economy is anathema to our own economic priorities as well as our political sensibilities."

It is not so much a matter of disagreeing with this thesis as noting its narrow terms of reference and its hypothetical nature. We do not know in what direction Soviet foreign and defence policy is headed. For the present, an ideological shift has been put into place which is an essential forerunner, in a politically driven society, of a change of practice. That ideological shift points to an end to the international class struggle, which others experience as Soviet imperialism, and an accent on "common human values".

Still, it must be stressed that these are only words, that no observable diminution has occurred in military spending, that perestroika might fail and a reaction take over. Any other stance is naïve. But Shelton offers another sort of naïvety: an all-embracing disbelief, in spite of a few genuflections, in the possibilities of change. No one, least of all the Soviet leaders who are seeking to command this process, can know the outcome of the reform.

Shelton's terms are narrow, but are shrewd within their limits. She has examined Soviet budget statistics and noted a huge unexplained gap between revenue and expenditure which varies from year to year but which amounted, in 1985, to over Roubles 112bn. This, says Shelton, is largely made up of credits advanced to enterprises which run at a loss. In short, "the notion of a consistent surplus in the Soviet internal budget is a fraud. The Kremlin is running a massive budget deficit . . . (it) is making loans to itself".

It is not her fault that this revelation was blunted in October by Mr Boris Gostev, the Soviet finance minister. He said that next year's deficit would be Roubles 36bn and that, though 1988 was nominally in exact balance and 1986 and 1987 had shown only tiny surpluses, these figures, and those of most previous years (where the surpluses were officially ample), had been cooked.

More generally, her view that the Soviet Union is now seeking to compensate for seven decades of economic (and other) autarchy by some fancy footwork aimed at allaying Western distrust is well supported, particularly when she subjects the terms under which the West can trade, or open joint ventures, with the Soviet Union to a pitiless scrutiny. For the moment, joint ventures do not look like a good deal. Little profit can be repatriated in hard currency and foreign partners have almost no control (at least in theory) over Soviet labour. But since her writing, it now seems that the foreign partner can take a larger shareholding than before.

A number of other changes have taken place in the Soviet Union in the few months between ending work on the book and its publication in review copies. In the economic sphere, the changes have been in the direction of further liberalisation. Shelton sometimes writes as though she treats perestroika as a plan which is fully implemented. Rather, the incoherence which surrounds Soviet shifts in this field, the policy and technical U-turns which are made, the lack of a supportive structure of company or commercial law, all contribute to a sense of the country lurching back rather than gliding towards a dimly defined goal.

Her substantive policy proposal? For the US to inaugurate a Western embargo on loans along the lines of the CoCom agreement on technology exports. This would put a ban on them until the Soviet Union passes through further human rights and democratic hoops. Mr Gorbachev – as she insists throughout the book – needs Western cash to keep up consumption, especially since wage, price and labour reform will come out of the hides of the working class.

Mr Gorbachev's controlled, top-down liberalisation intends to keep the Communist party's monopoly on power and give the space for civil society close bounds. But is anything better on offer? There are, for the present, only seeds of an order of things which would guarantee rights and inculcate efficiency. The Soviet leadership and people have the responsibility for making these grow. But insofar as it is possible for the West to assist this process, it should note the obvious and less obvious risks.

John Lloyd

The book will also be published in the UK, by Macmillan, £18.

OBSERVER

New broom at the CBI

■ A few points about Professor Douglas McWilliams, the new Chief Economic Adviser to the Confederation of British Industry. This is the first time that the CBI has made the appointment on a part-time basis. Williams, 37, will continue to run his economic consultancy where the major contract is to advise IBM. Presumably that reflects the decline of corporatism. In the old days the CBI's economic adviser had to be around all the time, whether to talk to the Government, the TUC, or both.

As an economist, a fellow practitioner says that he is of the "new broom" variety: he bridges the gap between the macro and micro schools. McWilliams describes himself as "fairly free market, very much the current wave." He believes that British productivity has risen much faster than officially recorded. In that, he differs from one of his predecessors at the CBI, Sir Donald MacDougall, who is due to give a lecture today arguing that the improvement has been overstated.

On the relatively short-term economic outlook McWilliams says that he is bearish. He regards the rise in inflation as more than the blip that the Chancellor calls it and would not be at all surprised to see a further rise in interest rates. For the longer term, however, he is optimistic.

McWilliams used to box at school, a training he has not forgotten. It has been known to come in useful socially.

Wrong man

■ Mikhail Gorbachev has an impersonator called Ronald V Knapp. Right up to the now familiar birthmark on his head he looks just like the Soviet President.

Knapp fooled a lot of people when Gorbachev arrived in New York on Tuesday. The impersonator turned up in a silver limousine close to the Soviet mission, stepped out and started talking through an interpreter. Then he went on a walk-about past some fashionable shops.

The media fell for it. So did Donald Trump, the property developer whose Trump Tower Gorbachev had declined to visit. Accompanied by bodyguards, Trump came rushing down from his office to shake the Soviet leader's hand. The penny dropped just in time. "I looked into the back of his limo and saw four very attractive women," said Trump. "I knew that his society had not come that far yet in terms of capitalist decadence."

Italian ties

■ Family ties have long been a key feature of Italian culture and business: the Bertolucci brothers and the Rossellini family in cinema, for examples, and the Agnellis, De Benedettis and Ferruzzis in finance and industry. Now it looks as if the family is extending into politics.

Bettino Craxi, the former Socialist Prime Minister whose power base is in Milan, has a brother-in-law (Paolo Pillitteri) who serves as the mayor of the Lombard capital. And at the regional level the official Christian Democrat candidate now tipped to become president of the Lombard assembly is a 56-year-old law professor from Milan who bears a striking resemblance to Ciriaco De Mita, the present Prime Minister. He is, in fact, De Mita's younger brother, Enrico.

Selective trip

■ On a day when the Government announced the closure of North East Shipbuilding in Sunderland with the loss of 2,000 jobs, the Prime Minister rather pointedly went north

to be photographed looking at success.

She opened Asda's new headquarters in Leeds and then went to Northallerton to see York Trailers, which the management bought out from Bunzl last June and hopes to float in 1991. York's factory is in the constituency of Richmond where there will shortly be a by-election; the Prime Minister took the opportunity to lunch near Harrogate with the officers of eight local constituency parties.

Because the tour finished promptly just before 3:30 pm, she was able to duck questions about Sunderland on the grounds that the ministerial statement had yet to be made. Northallerton's male unemployment rate is 4.8 per cent. In Sunderland, only 40 miles away, it was 19.9 per cent in November and about to get worse.

This is the third time in 16 months that the Prime Minister has gone to carefully selected parts of the north and declared the place a success. She was particularly complimentary to Asda for buying British goods to sell in the company's grocery and household stores.

That was before she studied the label on Snowflake, a white teddy bear, complete with Asda security pass bearing its name and photograph, which she promised to put under the Downing Street Christmas tree. It was made in China and wholesaled in New Jersey.

City success

■ Not everyone is out in the cold in the City this week. John Keyes and Terry Hitchcock, two former departmental heads at Chase Manhattan's London market operation, are finding a ready reception for the services of Square Mile Gate, their venture capital service company.

Keyes and Hitchcock could write the standard work on City life before, during and after Big Bang. Both were established members of what is already remembered as The Old Market. Both were senior partners of Simon & Coates, snapped up by Chase in those heady days just before Big Bang. And both parted company with Chase earlier this year.

After a pause for reflection, the duo, together with Philip Vohmann of Hill Samuel, set up Square Mile Gate (SMG) as a business broker, offering a bridge between the City's venture capital experts and small businesses seeking investment for management buy-outs, expansion and the like.

Keyes describes their typical client as an executive currently working for a quoted UK corporation who feels that he is "giving too much to the company," in terms of the success of his entrepreneurial talents.

Local flavour

■ The film being shown at the Ionic, Golders Green, is billed outside the cinema as "Who framed Roger Rabbi."

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ECONOMIC VIEWPOINT

Don't be afraid of the spectre of overkill

By Samuel Brittan

A spectre is haunting British economic policy: that of "overkill". While there is still much talk about the continued buoyancy of the British economy, and the attendant inflationary dangers, a different kind of whisper is now being increasingly heard.

The fear is that, far from having done too little to dampen down the economy, the Government may have done too much. In other words, the restrictive effects of 13 per cent base rates, in combination with a tight fiscal policy, could, after some delay, lead to a collapse in spending and the onset of recession – or at least to a severe output slowdown and a check to the fall in unemployment.

One can see that the economy is delicately poised. Some actual fall in house prices might be necessary to break the momentum of spending and credit. But we have had so far only the most tentative signs of a credit slowdown; and the Halifax index for the latest two months still shows house prices rising at an annualised rate of over 20 per cent for the country as a whole. Similarly, retail sales are buoyant, as, of course, are imports. There is thus the risk of a long wait before there are clear signs of the effects of present high interest rates, but also of a sudden subsequent collapse of spending if householders start worrying about their ability to meet their mortgage payments or banks about the collateral for their loans.

Clearly, the fear of overkill has been partly responsible for the slow motion, step-by-step rise in interest rates after the policy reversal of the early summer. The overkill fear is well represented by a quotation from an official in Simon Holberton's UK Gilts column of December 5: "The danger is that we'll shut the whole economy down and have it all unravelling on us."

The Treasury has underestimated the buoyancy of the British economy for several years, and not just since last year's Wall Street Crash. But its underestimate, together with that of other mainstream forecasters, has been spectacular since the March Budget, when it predicted a growth rate of real domestic demand of 4 per cent for 1988. By the November Autumn Statement, the estimate had been raised to 6 per cent. And after allowing for the leakage of demand into imports, real gross domestic product, excluding oil, is now expected to rise by 5 per cent per annum. Even now the Treasury may still be understating the true growth in demand and output.

The National Institute, which is rarely overbullish on growth, expects non-oil GDP to rise by over 6 per cent this year. So Phillips and Drew are not all that extreme in talking of something nearer 7 per cent.

Unlike many City analysts, I do not regard rapid real growth as bad news. What is inflationary is the even more rapid growth of spending in cash terms. The Treasury implicitly expects nominal demand to rise by 12 to 13 per cent in 1988, compared with 8 to 9 per cent at the time of the Budget; and, if the outside estimates are right, the true figure may be higher still.

Fortunately, some of the inflationary pressure has been siphoned off into imports. But although a large payments deficit can be incurred for many years at a time, as US experience has shown, that deficit cannot go on increasing in size indefinitely without a run on sterling. If the UK is to avoid serious inflation – and not just a spurious blip inserted into the Retail Prices Index by mortgage interest payments – the growth of demand in nominal (that is cash) terms must be brought down.

Unfortunately, we cannot reassure ourselves by saying that the Treasury always underestimates demand and that there is no danger of overkill. Forecasting errors are not invariably

If the UK is to avoid serious inflation the growth of demand in cash terms must be brought down

in the same direction, and we cannot rely on the Treasury or anyone else continuing to underestimate the future buoyancy of the economy.

The truth is that some risk of overkill has to be run; and it is better if it is done knowingly. With the breakdown both of mainstream forecasting models and of monetarist alternatives, there is little choice but to respond to the present state of affairs – which is itself difficult enough to gauge – even though this will lead to a jerkier movement of the economy than if we had a crystal-gazing ability, which we so clearly lack.

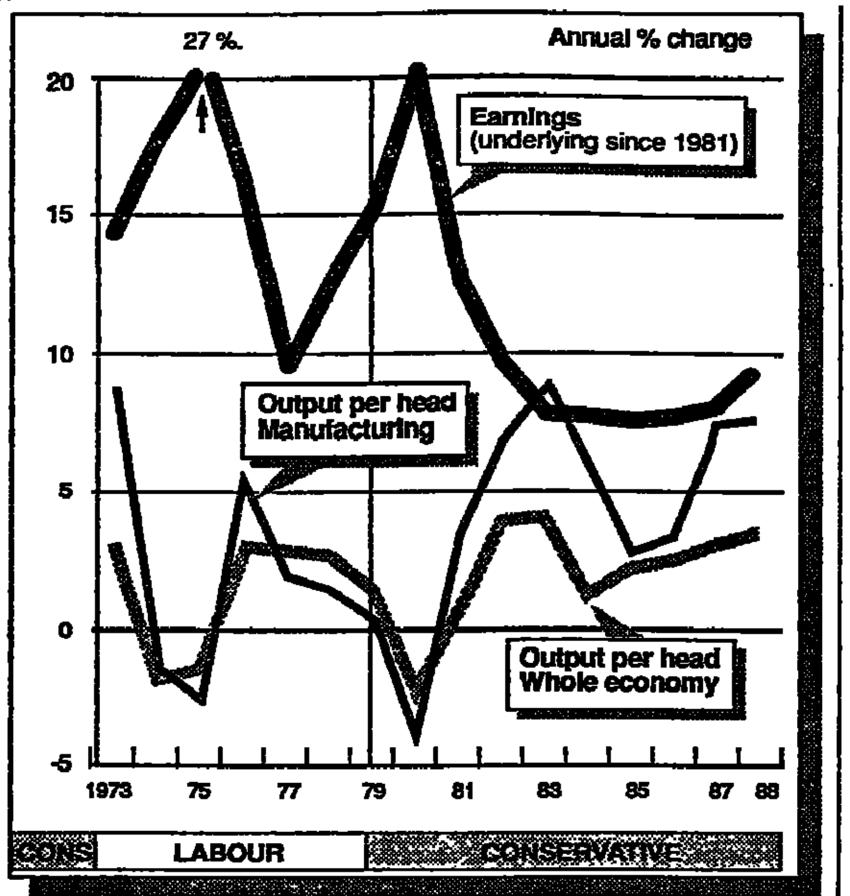
The sure way of destroying the new-found vitality of the British economy is to go back to near double digit inflation. The risk is worth avoiding, even at the cost of some overkill. A few quarters of below-trend growth in output are no more disastrous than a few quarters of above trend growth. The rhythm of economic development has always been irregular and the quest for a perfectly smooth progression is mistaken and harmful.

But even supposing my argument were to be accepted, how will we know when overkill has occurred; and what then should the Government do? If interest rates are slashed at the first sign of a slowdown in output, then the Government will have thrown in the towel, even if luck with trade figures permits such reductions.

If underlying inflation is to be eventually reduced, not literally to zero but to the 3 per cent of the Treasury's medium term small print, then the growth of domestic demand in cash or nominal terms – not in the real terms beloved of forecasters – will have to come down to the 6 or 7 per cent rate envisaged by the Treasury for 1989 as recently as the 1988 Budget Red Book.

The essential point of the monetarist counter-revolution was to stop pretending that the Government could regulate real output and employment directly and to shift instead to nominal objectives, whether for domestic demand or the exchange rate or some compromise between the two. (Such a rethinking of objectives is also championed by the more reconstructed Keynesians.)

The Government has to do its best to see that the underlying growth of nominal demand is sufficient for non-inflationary growth. But if this is achieved, the main responsibility for avoiding overkill lies with business in its own wage-setting behaviour. I wish ministers would take time off from their more backyard concerns to say so.



What is needed is another change of gear in wage setting. There has been only one change of gear since the Thatcher government came to office when the annual average rise in earnings fell back from 20 per cent in the early 1980s. Since then they have crept up above 9 per cent and threaten to go higher. If business can steel itself for another and smaller change of gear to reduce pay increases below a 7 per cent average any overkill can be kept very modest.

Beliefs and expectations are central. If employers think that the Government means business and will not let sterling plunge, nor boost domestic demand at the first sign of trouble, there is some chance of a soft landing. Otherwise not.

It is here that the propaganda in favour of sterling devaluation is so insidious, whether it comes from Christopher Johnson of Lloyds Bank or Brian Reading in an Economic Research Council Paper entitled "Mr Lawson's Boom".

In claiming that sterling is overvalued, the devaluationists take as their point of reference the competitiveness levels of the end of 1986 – an untypical period when the real exchange rate was well below its normal and sustainable value. They also base their diagnosis on the movement of prices rather than costs. Thus they rule out any attack on wage inflation via a profits squeeze, which is the only way it is likely to occur in a free society. Nor do they explain how sterling can be overvalued when employers can afford 9 per cent pay increases.

A certain amount of depreciation is already implicit in the pattern of international interest rate differentials. These suggest a central expectation that sterling will depreciate by 7½ to 8 per cent against the German Mark over a time horizon of around a year, but will eventually settle down to a 3 to 3½ per cent downward crawl in the longer term.

The meaning of these implicit market forecasts is easily misunderstood. The 7½ to 8 per cent rate of depreciation is not necessarily the view of most market participants. It is simply a point of balance, between those who expect a larger depreciation and those who expect a smaller one.

The implication of present market rates is that in a year or so, sterling will be near to DM 3 – a figure of which we seem to have heard – but after that will depreciate much more slowly and give time for a genuine exchange rate framework to change longer term expectations.

The devaluationists are evidently not content with the sterling profile just mentioned and would like either to see the pound depreciate faster or start its depreciation from a lower level. This is a sure way to more inflation followed by a real economic stop, to be followed by calls for controls and incomes policies – in other words, the economics of the 1970s, at which the protagonists are so adept. The Chancellor is indeed seeing off the devaluationists now; but Government dissensions and uncertainties are preventing him from seeing them off in the longer term where its effect on industry is most insidious.

LOMBARD

Romania's misery

By Margaret van Hattem

Nicolae Ceausescu's latest orgy of destruction, aimed at Romania's 13,000 villages, is beyond the reasonable pale.

Having ripped the heart out of Bucharest, the president seems determined to eradicate all vestiges of ethnic national diversity: razing the villages; shattering the Hungarian, German and Turkish communities who live in them; resettling the displaced in multi-storey concrete apartment blocks – filing cabinets for human beings, in which any re-emergent community life is immediately aborted.

All this is being carried out in the name of a more efficient agricultural sector. But it is far more sinister in purpose; by no means original and (the record shows) brutally effective, if not always long lasting. Pol Pot applied it in reverse, evacuating cities in his reign of terror in Kampuchea. Stalin's forced collectivisation is in the same category. There are any number of other instances in which community life, the warp and woof of a functioning society, has been destroyed for unjustifiable political reasons.

Such considerations do not seem to enter President Ceausescu's head. Widely loathed, he rules only by fear, through omni-present secret police who have converted his impoverished, malnourished people into a nation of sneaks and informers, fearful of their own shadows.

It is a measure of their demoralisation that the first wave of demolitions in Bucharest threw more than 40,000 people onto the streets with all their belongings, often at only a few days notice. Yet the place did not go up in flames.

As Romania heads for yet another freezing winter (with electricity severely rationed, and on a skimpy diet of rice, sugar, margarine, frozen chicken feet and giblets) the question arises: at what point does the international community have the right and the responsibility to say, "This is intolerable and must be stopped – with military or economic force if necessary"?

Few today would deny that the excesses of Nazi Germany – when the full horror of Hitler's "final solution" was later revealed – provided such a point. It may be that Adolf Hitler's unique contribution to mankind was to give a clear benchmark of evil sufficiently intolerable to justify the jettisoning of democratic principles – democratic in the sense of respect for the rights of nations to make their own mistakes and misjudgments.

But there are no internationally agreed boundaries to define where mistakes become crimes, particularly those supported by free elections. The judgment on those states which have acquired, in the eyes of many, "pariah" status, is not so easily or universally arrived at. Nicolae Ceausescu's destructive tendencies, which have already wrought havoc in his country and in relations with once-friendly nations, smack more of Caligula than of Hitler. But this does not lessen the awfulness of his policies.

Romania's continued membership of Eastern bloc institutions such as Comecon and the Warsaw Pact must be taken as a signal that the East finds Mr Ceausescu and his methods at least tolerable. That the Romanians do not share this view is clear from the harshly repressive methods he needs to use to remain in place.

The Eastern bloc should take the active role, the West the passive, in ensuring his departure. There must be no more Western credits and economic aid to prolong Romanian agony. If the Eastern bloc genuinely considers Ceausescu's model of socialism unacceptable, it should act as the European Community did in refusing to contemplate membership for Greece (under the colonels' regime) and Spain (under Franco), and expel Romania from its institutions so long as Ceausescu remains leader.

It is doubtful whether the Romanians can select and instal, unaided, an alternative leader under the system their present leader has created. They will need help. But the days of military solutions died – we hope – with Leonid Brezhnev. So far the Gorbachev era promises a more sophisticated approach, with more attention to behind-the-scenes diplomacy and more flexibility in relations between the Soviet Union and its satellites. It is about time it was applied to Romania.

LETTERS

Pension 'holidays' should continue

From Mr Giles Keating.

Sir, Contributions to occupational pensions are nominally part of personal income, and so the pension contribution holidays in the last two years have contributed to the measured decline in the personal savings ratio ("Time to end the pension holiday," Alec Chrystal and Gordon Pepper, December 5).

But this is largely an accounting convention. Eighty per cent of the reduction in contributions caused by pension fund holidays has been used to cut employer, not employee, contributions.

So individuals have seen very little of the benefit, and the pension fund holidays cannot be an important cause of the consumer boom.

Professors Chrystal and Pepper want to outlaw pension contribution holidays in order to raise personal savings and reduce erratic movements in pension contributions.

The 1986 legislation which encouraged those holidays had to be introduced because pension fund trustees and actuaries had generally failed to reduce the absurdly large tax-free surpluses in their funds. The existence of that legislation prevents the future accumulation of surpluses on the scale then existing. From now on it is less likely that there will be large erratic changes in contributions to cut surpluses.

So, outlawing pension contribution holidays would do little to raise personal saving or to reduce erratic contribution patterns.

But it would forcibly extend the period during which companies received tax-free income on funds not earmarked for pensions. Abolishing the holidays would be a retrograde step.

Giles Keating,
Credit Suisse First Boston,
2a Great Titchfield Street, W1

'Most subjects, not just philosophy, have suffered from cuts'

From Mr George Bernard.

Sir, In judging between Michael Prowse (Lombard column, November 24) and Robert Jackson, UK minister with responsibility for higher education (*Letters, November 30*), we should note that most subjects, not just philosophy, have suffered from cuts in Government funding of the universities.

According to a survey of departments of history last spring, just 58 historians have been appointed to full-time established lectureships since 1981.

Of 943 historians in post, only 11 are under 30 years old, 69 are under 35, and 179 (less than one fifth) are under 40. This is the direct result of a prolonged financial squeeze since 1981.

Because staff salaries form the bulk of university expenditure – the more so in subjects with no costly laboratories to fund – the only way to reduce spending has been to reduce staff. When university historians have retired, died or left, fewer than three vacancies in ten have been filled.

Similar concern about the dearth of appointments and the consequent skewing of the age profile has been voiced by subject groups and University Grants Committee (UGC) subject reviews in disciplines as diverse as English and physics, politics and chemistry.

As Michael Prowse says: the Government cannot escape responsibility. By choosing, over a period of years, to cut its block allocation of funds to the UGC, it clearly decided that it wants to spend less on the study of history, less on the study of philosophy and, indeed, less on study in the universities in general.

All the UGC and academics can do is to try to limit the damage and to draw public attention to what is happening.

George Bernard,
Secretary/ History at the Universities Defence Group,
University of Southampton

From Ms Geraldine Thorpe.

Sir, Richard Lynn (Letters, December 3) misses the essential point in Michael Prowse's Lombard column (November 24): there should be someone responsible, at universities, for introducing undergraduates to foundation courses in philosophy in order to learn how to think more effectively.

If philosophy were part of university foundation courses – and of the school curriculum – demand for the subject would surely be stimulated.

Robert Jackson, the minister responsible for higher education (Letters, November 30), persists in declaring that governments should make no decision on how money is spent in higher education.

How then does he explain his Government's imposition of the national curriculum? For the first time in British educational history a British government is deciding what shall be taught in schools; a "core curriculum" which will not only affect subject demand at universities, but also have a direct influence on how diminishing funds for education are spent.

The resource-led movement which is driving effective thinking out of higher education has been almost accomplished in further/vocational education. There are very few foundation courses in social, economic and political studies – essential to analysis of the trends of industry and commerce – let alone philosophy.

I would add that this whole debate on philosophy, and your editorial on the skills gap (November 24), has been denied to our students. Not only have our social and economic studies been run down, but your newspaper has been removed from the college library.

Geraldine Thorpe,
Department of Communication and Foundation Studies,
London College of Furniture,
City of London Polytechnic,
41 Commercial Road, E1

If a government wants to tamper, it can

From Mr Graham Hallett.

Sir, Mr Robert Jackson, the minister responsible for higher education, maintains (Letters, November 30) in reply to criticism concerning the fate of philosophy in British universities, that the British Government merely makes block allocations to the University Grants Committee (UGC), with the UGC making block grants to universities, and the allocation within universities being decided by academics.

This was the system before 1981. It has since largely ceased to be the case *de facto* and, under the 1988 Education Reform Act, ceases to be the case *de jure*. As the chief executive of the new University Funding Council (UFC) stated earlier this year: "If there is one thing that more clearly marks Mrs Thatcher's views than anything else, it is the intention to eradicate this concept of entitlement."

The UFC (consisting mainly of employers, and solely Government-picked) has the power – and its chairman has stated that it will use the power – to make "contracts" with universities on individual courses, thus determining what is taught and how it is taught.

Graham Hallett,
10 Coed Yr-Ynn,
Rhiwbina,
Cardiff, Wales

From Mr Hernan Rodriguez Campoamor.

Sir, Besides congratulating Mr Michael Prowse on his excellent article, "The pillage of UK philosophy" which appeared in the Financial Times on November 24, I would like to comment that throughout world history innumerable attempts have been made to do without philosophy, either on the pretext of saving money spent in this subject as an academic endeavour, or as a reaction to the role of philosophically minded people as troublemakers, or on both accounts.

History has also shown that philosophy cannot be either reduced or abolished, because every atom of regular philosophical thought suppressed by decree is infallibly replaced at once by some ersatz, illegitimate philosophy of the cheap variety. Active minds abhor a vacuum.

However, if a government wants to tamper with the teaching of philosophy, it certainly can. On the other hand, substitutes for the genuine product will bloom all over the place at no cost to the taxpayer. Pyrrhus was also a teacher of a kind.

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Switzerland

FINANCIAL TIMES
Thursday December 8 1988

Statoil weighs future of costly Sleipner gas project

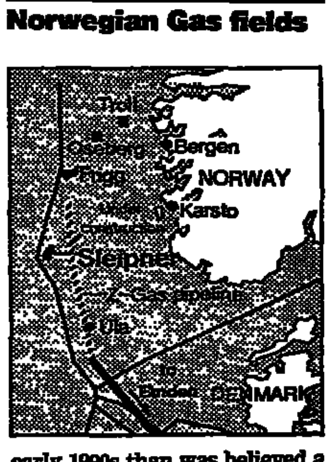
By Karen Fossli in Oslo and Max Wilkinson in London

STATOIL, Norway's highly indebted state oil company, is considering whether to abandon its NKr15bn ($2.3bn) plans to develop the Sleipner gas field in the central North Sea.

The field was due to start production in 1993 as part of a contract with a consortium of continental buyers for development of the much larger Troll field by 1996 and a major new pipeline. The contract was valued at $60bn in 1986, but the weakening outlook for gas prices since then has made it appear much less valuable.

Statoil is being forced to consider the move as part of a plan to reduce its debts, now close to 90 per cent of its total capital and expected to rise. It is also influenced by the fact that considerably more gas is now expected to be available from the Norwegian and UK sectors of the North Sea in the early 1990s than was believed a few years ago.

Norwegian Gas fields



However, the idea of postponing the Sleipner development is creating a sharp tussle between the world's two largest oil companies, Shell and Exxon.

Exxon, which holds a 30.4 per cent stake in Sleipner, is arguing that the Troll development, sheduled for 1996, should be postponed for a few years. Alternatively it is likely to press for a stake in Troll.

The Norwegian Government owns a direct 62.7 per cent of Troll, but because of its tax regime it takes about 90 per cent of the risk of the project.

Tomorrow a White Paper on Statoil's investment requirements for next year is to be presented to the Storting (Norway's parliament). It has been suggested that the company will then suggest how to reduce borrowings by divestment and the postponement of some of its projects. Statoil is still suffering the effects of the disastrous Mongstad refinery and terminal expansion project which cost NKr6.8bn more than planned.

One major potential source of extra gas is the Ekofisk field operated by Phillips Petroleum which is considering ways of doubling production by injecting nitrogen. The continental gas producers which contracted for the Troll and Sleipner gas are obliged to buy whatever Phillips produces at Ekofisk until 1999.

At the same time the chances of Norway making a large additional sale of its gas to the UK in the mid-1990s is receding. The major oil companies are now agreed that there is a potential surplus of gas in the UK sector of the North Sea in that period, and the UK Government is likely to give priority to developing it.

Almost four years ago, the British Government vetoed an agreement by British Gas to buy the whole of the output from the Sleipner field. The price, then put at $30bn, was considered to be very high by the Treasury, which feared that gas imports would add to Britain's expected balance of payments difficulties in the 1990s. However the fall in oil and gas prices and the strength of sterling, now makes that the Sleipner contract appear very favourable to the UK.

An Esso executive said last night: "It would require a lot of modifications to the pipelines and other parts of the development, should Sleipner be dropped and decisions will have to be made quite fast."

Norske Shell is said to be displeased by the low gas volumes allocated for Troll vis-a-vis the capacity which it is planning. If Sleipner were dropped, volumes for Troll could be increased.

Hong Kong witnesses a rare protest

John Elliott reports on liberal efforts to put more democracy into China's Basic Law

THEY sang to the tune of Auld Lang Syne by the Happy Valley racecourse in Hong Kong last Sunday. It was not an early sentimental farewell to 1988, nor even a Jockey Club rehearsal for the old acquaintances that may soon be forgotten in 1997 when China regains sovereignty from the UK.

But ironically there was a link with the coming farewell to the British because the tune was being used for a Chinese song opposing the Basic Law which Peking is designing for 1997.

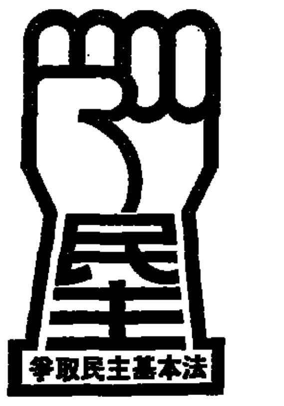
The words "United we strive for direct elections" wafted hestitantly across the green grass of the colony's famous race course from about 500 marchers, all of whom appeared to be amateurs at staging demonstrations. They burned copies of a draft of the Basic Law outside the office of the Peking-based Xinhua News Agency, which is China's unofficial embassy in the colony. Coupled with a hunger strike the previous day, that was a rare form of political protest for Hong Kong.

The demonstrators' objective was to influence Basic Law drafters from Peking and Hong Kong, who are meeting this week in the southern Chinese city of Canton and in Peking next month. Broadly dubbed liberals in the debate on the law, the demonstrators are pushing harder than anyone else in the colony for the mini constitution to have considerably more democracy than China is prepared to concede.

Their problem is that there is no sign yet of any significant public concern about the Law, despite widespread distrust of Peking. Led by Mr Martin Lee, a senior lawyer and legislator, they argue that more democracy in the Basic Law is the best line of defence against Peking going back on pledges it made in the 1984 Sino-British Joint Declaration for the Special Administrative Region of Hong Kong to have "a high degree of autonomy."

Opposing them are conservatives, who claim they are the majority. They include local Chinese businessmen and are broadly backed by the British and Hong Kong Governments. They insist that nothing should be done which could upset the colony's economic prosperity, even if this means accepting Peking's slow moves towards democracy.

Liberals and conservatives were both unhappy with many of the proposals in the first draft of the Basic Law published by Peking in April. Differences have now arisen over what further changes should emerge in the second draft from Canton this week, and especially from a plenary session of the Basic Law Drafting Comittee (comprising 23 people from Hong Kong and 36 from China) in Peking next month, when concessions might be made. The National Peoples Congress in Peking will then issue the new version, probably in March, for a second period of consultation.



Emblem of Hong Kong's liberal protesters exhorts demonstrators to "FIGHT for democratic Basic Law"

Broadly the main issues fall into six areas:

- Substantial changes, pleasing everyone, have been made by Peking to narrow down the scope of Articles 16, 17, 18, 22 and 169. These make it clear that Hong Kong will interpret its own laws and will not be affected by Chinese national laws, apart from a select list of issues such as Peking being the capital, use of the national flag and the location of China's national and territorial borders.
- Peking has accepted that, instead of having potentially destabilising elections in 1997, the Legislative Council elected in 1995 will continue in power until 1999. Peking will have a monitoring role in the 1995 elections and then in 1997 the legislators will pledge loyalty to the new Hong Kong regime and their support for the Basic Law.
- The method of choosing the chief executive (Article 45 and an annexe) who will take over from the British governor: the hottest controversy because the proposals do not allow one-man-one-vote elections until 2012 or later.

Peking wants to ensure it chooses the first incumbent for 1997-2001 through a 400-strong election committee created by a Peking-appointed preparatory committee. Another 800-person election comittee would elect the next two chief executives and a referendum would be held for post-2012 arrangements.

Liberals are appalled at the lack of popular democracy and want an immediate referendum. But conservatives believe the arrangements must produce a man acceptable to Peking as well as credible in Hong Kong. A possible compromise is that the electoral system proposed for the second two incumbents is used for the

- Similar arguments apply to proposals that universal suffrage for directly electing all Legislative Council members should be delayed until after 2011 with a referendum held first. The proportion of members elected directly, instead of through interest groups, will increase in the intervening years from 27 per cent to 50 per cent. The liberals want 50 per cent in 1997 but Peking will not agree to this.
- Peking has failed so far to change controversial requirements in Articles 105 and 107 for Hong Kong to maintain a "basic balance between total budgetary revenues and expenditure" and to "continue to practise a low tax policy."

Top Hong Kong entrepreneurs wanted this because they fear that an elected legislature will boost social spending to win votes. The British and Hong Kong Governments, backed by liberal groups, believe they may have persuaded Peking to move the phrases to an advisory annexe because these are policy, not constitutional, issues.

- The implementation of international covenants on civil and political rights and on economic, social and cultural rights (which do not apply in China) has been strengthened by the removal of restrictive words in Article 39.

Most people are impressed by how far Peking has moved in the past few months, once it saw a unified Hong Kong view emerging on a subject. But Mr Lee aptly sums up the deep scepticism that remains: "Designing this law is like erecting a Japanese type of paper door. You can still get in, but it is there for China to respect and not break through it. The trouble is we don't know if we can even have that."

THE LEX COLUMN

Putting Hanson into gear

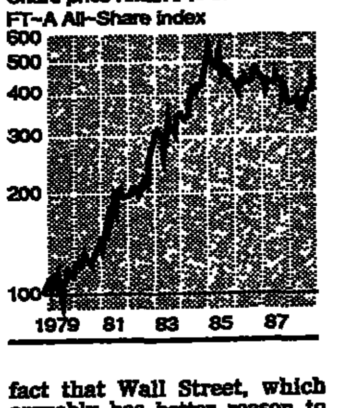
Practically everyone was expecting Hanson to bring Christmas forward this year along with the conversion date of its 10 per cent loan stock. So it was scarcely surprising to see Lord Hanson scattering a few gold coins here and there to commemorate the company's 25th anniversary of growth – and to make double sure that loan stock holders do their duty to the balance sheet and convert at their earliest opportunity.

If they duly fall into line in February next year, then Hanson will have finessed yet another several billion pound increase in its borrowing powers to match last week's leap from £6.5bn to £11bn. That increase has yet to be put to shareholders; but they are unlikely to bite the hand that feeds them a 55 per cent dividend increase. If loan stock holders react to the same stimulus and convert, then Hanson would end up with borrowing powers more than double what they are at the moment, at something like £15bn.

KKR could no doubt find a way to spend that all in one place; but Hanson shareholders may have to content themselves with an acquisition of more like a third or a quarter that size. And given that Hanson is still disinclined to turn buyer in a seller's market, they may have a while yet to wait – the amount of time it takes for interest rates to provide the odd UK casualty, or for the buy-out mob to generate suitable prey in the US. In the meantime, though, Hanson is looking safe, well run, and cash positive – the sort of attributes which are only heightened by a prospective yield near 7 per cent.

Hanson

Share price relative to the FT-A All-Share index



Markets

Maybe Gorbachev means it about cutting Soviet troops, and maybe the US will follow, and maybe the US budget deficit will fall drastically as a result. But that is a lot of maybes, and even if all are met, it is not obvious that the dollar should rise. After all, it was not so long ago that a big deficit was taken to mean high real interest rates and a correspondingly strong currency. The violent rise of nearly 3 cents against sterling suggested the market is looking for excuses to square books and lock away a tidy profit before Christmas, and yesterday's news was as good as any for the purpose. There is more room for caution in the fact that Wall Street, which arguably has better reason to get excited about peaceniks in the Kremlin, was evidently having second thoughts, and wondering what to make of it all.

Bass

The new spirit of disclosure at Bass's results presentation yesterday – slides, statistics and so forth – confirms the impression of the group's essential robustness. As the biggest of the brewers, Bass suffers most in market terms from uncertainty over the baleful intentions of the Monopolies Commission; and indeed, with Horizon disposed of, the vast majority of assets and earnings are in beer and UK-style hospitality. But after all, with or without the MMC's help, the brewing industry is in for a period of upheaval; and Bass, as the most committed and perhaps most flexible player in the game, has as much chance of winning as losing.

In the current year, allowing for the usual differences of opinion on property disposals, the shares are on a multiple of between 8 and 9, and an average yield, despite above average earnings prospects. Fashion in the drinks industry lately has leant towards the more glamorous area of international wines and spirits, but a whiff of recession could bring the staider virtues of brewing back into focus.

Stakebuilding

Yesterday's confirmation of the Government's intention to change the rules for share stake disclosure – to 3 per cent within two days – has concealed in it a calculated snub to the CBI. As with merger policy, Lord Young's stance is minimalist; the present 5 per cent regulation apart, limits to stakebuilding are not the Government's affair. Those with complaints about the rules should address them to Lord Alexander of the Takeover Panel, just as those with an axe to grind about merger policy should turn to Sir Gordon Borrie. It might be objected that the Takeover Panel, like the Stock Exchange, is concerned purely with the rights of shareholders. Just so, says Lord Young; and if management feels it is not represented, it should recall that its primary function is to represent shareholders' interests. Even the reduction to 3 per cent is explicitly aimed at helping investors to make informed decisions. In other words, long live the market: or – as industry might perhaps infer – long live the City.

Saatchi & Saatchi

Saatchi & Saatchi is no longer an ex-glamour, ex-growth advertising agency, it is an investment trading company. At least, its accountants were apparently of that view when they allowed it to supplement yesterday's disappointing trading profits with an £11.6m gain from selling subsidiaries. Unfortunately, the market did not agree, and the shares fell 5.5p to their lowest levels since 1984.

While more conservative treatment of the profits might have been preferable, the placing of the profit below rather than above the line seems a non-issue. Indeed, the fact that Saatchi seems able to get good money for its unwanted bits should be the best news in yesterday's figures. Given the market's continued chronic disaffection with the company, it would be surprising if its managers were not considering taking it private. Raising equity is clearly out of the question - the company freely admits that any future deals will be debt-financed - and the directors' share options can only be a sorry reminder of happier times. Moreover, the brothers own barely 3 per cent of the shares, and by going private they could gear up again should they want to. Even if the arguments do not appeal to them, they may appeal to someone else at somewhere not far below the current share price. In any case, it will be the cash flow of the company that matters, not the pure notion of fully diluted earnings that the London market clings to.

Car market weakness

Continued from Page 1

production capacity is due to exceed 2m units annually by 1990.

The lower assembly volumes expected in the EC could make it hard for Japanese companies to achieve high levels of local content. Japanese component makers would probably also be slower to set up in Europe than in the US.

The study says the EC car industry has recovered sharply in the past few years and almost all companies made profits last year and the study dismissed claims that there is still excess capacity.

It warns, however, that the industry will need to make huge investments to survive against international competition on the EC market. "Therefore, the volume manufacturers are still in a precarious situation, which is masked by the boom in demand," it says.

It says EC companies suffer from three main weaknesses:

- They are still not matching Japanese efforts to increase productivity, quality and logistics, to diversify their supply sources and speed up innovation.
- The debt levels and financial resources of most EC car and components makers give cause for concern, particularly since many of their US and Japanese competitors are financially much stronger.
- EC car makers have failed to expand aggressively in international markets, particularly in comparison with Japan which is increasingly operating on a worldwide basis.

EC car makers' share of non-EC markets has fallen sharply since 1970, the study points out. They have also been slow to adopt common vehicle platforms and assemblies, despite a series of mergers.

Krupp chief to step down

Continued from Page 1

board would try to block his appointment.

Mr Cromme's elevation probably makes less likely a takeover by Thyssen, Krupp's heavy industrial neighbour in the Ruhr, which has expressed an interest in majority control. The UK group Lonrho, which owns 50 per cent of Krupp's trading arm, has also been interested.

Co-operation with either company is not ruled out nor is a partial flotation of Fried Krupp, an idea supported by the group's main bank, Dresdner Bank.

The immediate outlook for the company remains poor. The losses from the plant building division will total DM600m ($348m) in 1987-1990

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	F	09	48	Malta	S	16	61	Rhodes	C	19	66
Algiers	T	11	52	Edinburgh	F	07	45	Manchester	C	04	39	Rio de J'o	F	31	88
Amsterdam	C	08	46	Faro	S	16	61	Manila	F	30	86	Rome	C	16	61
Athens	C	19	66	Florence	S	13	55	Melbourne	-	—	—	Salzburg	Sn	00	32
Bahrain	F	23	73	Frankfurt	C	06	43	Mexico City	F	17	63	San Francisco	F	21	70
Bangkok	F	31	88	Funchal	C	18	64	Miami	C	24	75	Seoul	C	14	57
Barcelona	S	13	55	Geneva	R	13	55	Milan	S	05	41	Singapore	C	30	86
Beirut	C	15	59	Gibraltar	F	17	63	Montreal	C	02	36	Stockholm	C	-4	25
Belfast	C	06	43	Glasgow	C	08	46	Moscow	C	01	34	Strasbourg	C	05	41
Belgrade	S	07	45	Guernsey	F	09	48	Munich	C	-1	30	Sydney	C	19	67
Berlin	C	03	37	Helsinki	C	-2	28	Nairobi	F	26	79	Taipei	F	25	77
Biarritz	C	10	50	H. Kong	C	20	68	Naples	F	09	48	Tangier	S	18	64
Bombay	S	28	82	Innsbruck	C	02	36	Nassau	F	26	79	Tel Aviv	F	21	70
Bordeaux	C	08	46	Inverness	R	08	46	New Delhi	F	25	76	Tenerife	F	20	68
Brussels	C	06	43	Islamabad	F	23	73	New York	C	11	51	Tokyo	F	14	57
Budapest	F	04	39	Istanbul	R	16	61	Nice	S	14	57	Toronto	F	10	50
B. Aires	C	31	88	Jakarta	R	31	88	Nicosia	F	19	66	Tunis	C	15	59
Cairo	F	23	73	Jersey	F	09	48	Oporto	S	12	54	Valencia	S	14	57
Cape Town	S	30	86	Jo'burg	C	21	70	Oslo	F	02	36	Venice	S	05	41
Caracas	R	25	77	Lima	F	23	73	Paris	C	07	45	Vienna	R	04	39
Casablanca	S	16	61	Lisbon	F	13	55	Peking	C	11	52	Warsaw	Sn	00	32
Chicago	F	01	34	London	F	08	46	Prague	C	01	34	Washington	-	—	—
Cologne	C	06	43	Los Angeles	F	28	82	Reykjavik	F	02	36	Zurich	C	02	36
Copenhagen	F	03	37	Luxembourg	C	05	41								
Corfu	C	16	61	Madrid	F	10	50								
Dallas	C	13	55	Majorca	S	13	55								
Dublin	C	08	46	Malaga	S	17	63								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Gorbachev pledges unilateral cuts in European forces

Continued from Page 1

involved in "secret" work, he said that new time limits would be applied to such security restrictions.

In another bold gesture, he announced that the Soviet Union would be ready to co-operate in establishing an international space laboratory or manned orbital space station to monitor the state of the environment. He proposed that the UN should set up a centre for emergency environmental assistance to any country facing an environmental disaster.

Mr Gorbachev said the troop reductions – involving forces in East Germany, Hungary and Czechoslovakia, and in the European part of the Soviet Union – would also include 8,500 artillery systems and 800 combat aircraft.

They will go some way to answering Nato's accusations that the Warsaw Pact holds a huge superiority in conventional forces, and also the demand for hard evidence of the Soviet Union's professed switch to a defensive, rather than offensive, military strategy.

Mr Gorbachev said that six tank divisions would be withdrawn from East Germany, Hungary and Czechoslovakia, and then disbanded. Assault landing troops and other units would also be withdrawn, with total cuts from the Soviet Union's East European satellites totalling 50,000 men and 5,000 tanks.

The troop cuts would include unspecified numbers being withdrawn from the European part of the Soviet Union, and from Mongolia, on the Chinese frontier, the latter a clear gesture towards the improving relations with Peking.

"The use or threat of force can no longer be an instrument of foreign policy," Mr Gorbachev said. "This applies above all to the use of nuclear arms. The strongest must exercise self-restraint."

Underlining the growing realisation within the Soviet leadership at the economic drain of its massive military expenditure, he said: "State reliance on military power ultimately limits other aspects of national security."

He said the challenge was now to tackle "the transition from the economy of armaments to an economy of disarmament," offering to draw up and publish in the course of this year Soviet conversion plans for two or three defence plants.

Soviet defence industries, one of the few efficient areas in the Soviet economy, are already being called on to produce equipment and machinery for food processing and consumer goods – another area of potential conflict between the civilian leadership and the military.

Mr Gorbachev pleaded for the "de-ideologising" of international relations. "We are not abandoning our convictions," he said, "but nor do we have any intention of being hemmed in by our values."

The entire speech was in stark contrast to the last performance of a Soviet leader in the same UN assembly, when Mr Nikita Khrushchev banged his shoe on the desk in theatrical fury in 1960.

Mr Gorbachev paid great tribute to the peace-making and peace-keeping role of the organisation, admitting that it had been used in the past as a forum for Cold War "propaganda battles and continuous confrontation."

He appealed to the Third World majority in the assembly, underlining the intractable problem of indebtedness and pledging Soviet support for a proposal for a 100-year moratorium on such debts.

He proposed the formation of an international agency to "repurchase debts at a discount."

The tone of his address, balanced to appeal to all parts of the international assembly, was positive rather than critical, but he could not restrain himself from criticising the US decision to deny an entry visa to Mr Yassir Arafat, the leader of the Palestine Liberation Organisation.

That was the only real point he allowed himself to score

Estonia defies Moscow's right of veto

Continued from Page 1

north east of Estonia, where Estonians are in a minority to the Russians who have gone in to work in the state enterprises in the Rakvere and Kohtla-Jarve regions.

The decision shows that the sought-for period of calm and lowering of the tension between Estonia and the two other Baltic republics of Latvia and Lithuania on the one hand and Moscow on the other has not materialised.

The Estonian Soviet yesterday also passed a law to make Estonian a state language, which will mean that all Estonian residents must learn it at school.

The intensity of the attacks against the Baltic states in general and Estonia in particular continues to grow. A press conference in Moscow yesterday of social scientists and economists called to discuss "socialist pluralism" became an opportunity for the speakers to condemn Estonian plans for republican autonomy.

Professor Ivan Antonovich, prorector of the influential Academy of Social Sciences at the Communist Party's Central Committee, said that "What the Estonians propose leads to isolation and contradicts the idea of national union. Estonia doesn't have the resources to put it on a par with a nation state.

هكذا من الأصل

ACCOUNTANCY COLUMN

Tests for the type to get to the top in accountancy

By Michael Dixon

WHAT kinds of personalities have the best prospects of success in financial management?

The question is central to the strength of that key economic activity, for there is evidence that appropriate personality traits increase in importance with each rise in the level of executive responsibility.

As is usual with crucial questions, however, the answer is hard to find. One reason, of course, is the mysterious nature of human personality.

Another problem is raised by recent research findings that besides being insubstantial, personality is not – as was once thought – something that is fixed and enduring from childhood onwards. Several studies have shown that a large proportion of people's traits vary with time and the circumstances of their life.

Nevertheless, a large proportion of personality traits seems to be lasting, and since the traits are evidently linked to individuals' capabilities at different sorts of activity, they must play some significant part in success at work: hence the growing use by employers of personality tests in selecting candidates for jobs.

Some employers still trust to time-honoured ways of assessing people's traits. Astrology is probably the most ancient.

Another with a fairly long history is handwriting analysis, which was used by 5 per cent of the 320 organisations covered by a survey of employee selection in the UK published this week by the Institute of Manpower Studies.

Although it cannot be denied that such methods might shed light on broad variances in accomplishment, the weight of research suggests that they cannot usefully identify the traits required for success in specific types of work.

In the case of handwriting analysis, for instance, the institute's survey report states: "There is now considerable evidence that there is neither a relationship between handwriting and personality, nor is there a link between handwriting and job performance."

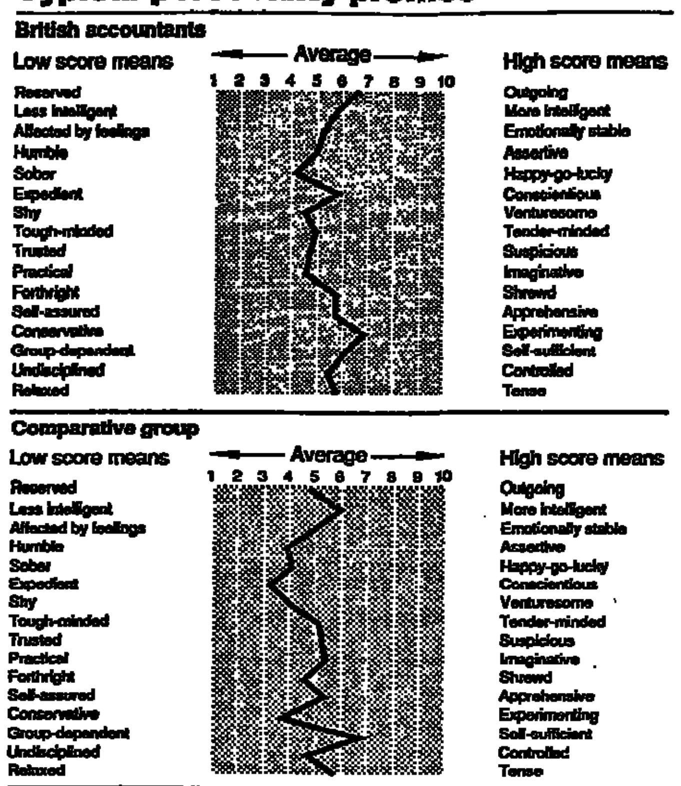
Of the newer tests, the kind usually adopted consists of questionnaires designed to assess each candidate in terms of a given number of personality factors.

Every factor is represented by two extremes, such as humility on the one hand and assertiveness on the other, but since extreme attributes are rare, most people turn out to be somewhere between. The result is a personality profile showing where the person stands on each line connecting each pair of extremes.

Probably the most widely used example is Cattell's test, based on 16 factors, which over the past half century has been taken by millions of people, including many financial managers.

The typical Cattell profile of a group of them – all British and qualified accountants – is shown in the top half of the adjacent chart with the profile of a comparative set of people beneath.

Typical personality profiles



As can be seen, on most of the factors both groups score in the average band between 4½ and 6½. Where the finance workers exceed the average is mainly in being outgoing as distinct from reserved and inclined to experiment rather than be conservative.

They are also a bit more than averagely sober, at least in attitude, but not as sober as the comparative group, whose members also exceed the mean in tending to behave humbly rather than assertively. They exceed it more in acting expediently as distinct from assertively, and in being conservative.

The comparative group, by the way, consists of people in prison for armed robbery.

That illustration should serve as a warning against reading too much into similarities between groups as revealed by personality tests. But it is of course the clear differences that carry significance – for example, the ways in which the accountants and the bandits exceed the mean would hardly be expected from their respective public images.

Moreover, the most widely used assessment methods are continually being refined and extended to reflect more sensitively the traits linked with success in different kinds of work.

For instance, the Occupational Personality Questionnaires developed by the British consultant psychologists Saville and Holdsworth can measure 30 job-related factors. Based initially on studies of large numbers of UK managers and other skilled workers of various types, it is now being adapted for the assessment of other nationalities. For, given the differences in and influences of regional let alone national cultures, the type of personality best suited to a specific job is not necessarily the same in every place.

In the particular case of British accountants, the Saville and Holdsworth method not only confirms the experimenting tendency indicated by the Cattell findings, but identifies several other typical traits.

Some are in accord with the accountants' public image. By comparison with the average UK citizen, they are more inclined to control and direct what other people do than to get them to do it by persuasion. They are more interested in conceptual matters such as theory, and better at drawing rational conclusions from information couched in words as well as figures.

What may be surprising to other sorts of workers, however, is that accountants have an above-average liking for the challenge of achieving objectives.

Moreover, while apt to hide their own emotions, they tend to have a caring attitude to their fellow human beings.

ACCOUNTANCY APPOINTMENTS

GROUP FINANCIAL CONTROLLER

Acquisitive USM Company

London, West End — to £35,000 + benefits

Our client, floated on the USM earlier this year, has a group turnover approaching £12 million and is engaged in the design, development, manufacture and distribution of branded products allied to the building industry.

The Group Financial Controller will be based in the London head office and will be in total day to day control of all financial and accounting matters, both at head office and the Group's three manufacturing facilities. The appointee will also actively participate in M & A strategy, which is expected to form a major part of the role. Liaison with professionals and City third parties calls for confidence and presentational skills.

Candidates must possess sound technical and accounting skills, but more importantly, maturity, flexibility and diplomacy will be personal qualities especially sought. Previous exposure to a manufacturing environment would be a significant advantage. The successful candidate is unlikely to be younger than 32 years; applications from older applicants will be given full consideration. Individual and career prospects provide outstanding opportunities for advancement.

Interested applicants should write, enclosing full career details and quoting reference A6408, t.. James Forte.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

General Appointments Appear Every Wednesday

Accountancy Appointments Appear Every Thursday

Assistant Taxation Manager

c£32,000 + car

This client is a substantial UK plc whose Board is actively managing a portfolio of operating divisions which have extensive UK and overseas business interests.

They now wish to appoint an Assistant Manager who will be responsible to the Group Taxation Manager, operating with minimum supervision across a wide range of UK and international taxation issues. In addition to a challenging range of specifics the brief includes a major role in tax planning and forecasting, input on group structuring and strategic planning, and compliance at both Group and specific Divisional level. The position has the scope to provide a rapid advancement of experience.

Applicants should be qualified accountants with specialist experience of taxation and a pro-active approach. The ability to communicate with commercial management, produce solutions and *gain their acceptance is also important.*

Location – Central London. Age guideline – late 20's.

Please reply in confidence quoting reference L389 to:–

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

FINANCIAL CONTROLLER

FOR ENTREPRENEUR'S BUSINESS INTERESTS

Gtr Manchester/ W. Yorkshire Border — c£40k + exec. car — Age 28/35

Having recently sold part of his controlling share in one public company and remaining a sizeable shareholder in another, this enthusiastic entrepreneur is now concentrating his energies on his growing private interests. He has already built up a portfolio of several hi-tech and manufacturing companies (t/o ranging from £1m – 5m) in the last 12 months, and intends to acquire up to another dozen, before divisionalising them and floating the most successful onto the Stock Market in the next 2/3 years. He has made available substantial funds, agreed a further major line of credit and now needs a high-calibre financial professional to complete the small team that will make this all happen.

The role will be multi-faceted. While the existing and to-be-acquired companies will have their own management teams, you will need to monitor each company's performance and provide regular advice in areas such as business strategy and profit performance. You will be heavily involved in acquisition appraisal and negotiation, Bank liaison and – ultimately – the flotation. There will be heavy demands on your time and you will almost certainly need to appoint a strong No. 2 to assist you.

You will be a graduate Chartered Accountant, with well-developed business instincts, an eye for detail and an appetite for hard work. You should have had exposure to manufacturing, either from a senior level in the profession or in industry. For the right person, this will be an exhilarating and exciting opportunity, giving you the chance to make a real contribution to growing young businesses.

Please contact Lawrence Barnett or Dudley Harrop at our Manchester office quoting ref. M970

ASB
Amethyst House, Spring Gardens
Manchester M2 IEA. Tel: 061-834 0618
Fax: 061-832 9123
Also at: Liverpool and Leeds

ASB RECRUITMENT LTD **A Division of ASB Barnett Kinnings Plc**

DYNAMIC INTERNATIONAL GROUP

KEY FINANCIAL ROLES

Windsor

The Albert Fisher Group plc has become a major international food service and distribution Group – operating in the UK, Continental Europe and North America. Turnover has surged from £44m in 1984 to a current annualised level of £800m, which has been achieved by both organic growth and acquisitions; 11 acquisitions, totalling £100m, were made in the last financial year. It has also had 6 consecutive years of record profits.

Due to internal promotions, the Group Finance Director needs to make two key appointments for his small finance team based at the Group's Windsor headquarters.

ALBERT FISHER

CORPORATE ACCOUNTANT

with Group Reporting Responsibilities

Age 25/32 — £30-35,000 + executive car

Your role will be to report on the Group's Financial and Management accounting information, ensuring Group policies are adhered to and commercial objectives are achieved. You will consolidate divisional results and make an important contribution to the interim and year-end reporting processes. The growing size and complexity of the Group will generate constant challenges on the technical front, while you will also devote much of your time to streamlining systems through further computerisation.

To succeed within this compact team, you will be a graduate Chartered Accountant, either still in the profession at a senior level or with large company experience. You should have excellent technical and communication skills, be able to react quickly in a fast-changing environment and have an appetite for hard work. The future will present outstanding opportunities for promotion. **Ref. B196**

GROUP TREASURER

Liquidity management with an International Flavour

Age 28/35 — £35-40,000 + executive car

Your role will focus on liquidity management, foreign exchange and acquisition financing. This will involve you in negotiating Group-wide facilities, researching new treasury instruments and maintaining banking relations at a high level. You will manage, and enhance, systems for monitoring current and projected cash requirements on a world-wide basis. There will also be significant opportunities to maximise returns on the international money markets.

You will be a high-calibre graduate Chartered Accountant, with sound experience in corporate treasury management – preferably within a large multi-currency environment. Your personal style will be incisive and assured – with a presence that commands respect in your external dealings. Your communication skills will be of a high order, enabling you to maintain a successful advisory interface with senior executives throughout the organisation. Success in this highly visible role will lead to excellent opportunities for career development. **Ref B197**

Relocation expenses will be paid where necessary for either position.

Please contact Lawrence Barnett or Dudley Harrop at our Manchester office quoting the relevant reference number.

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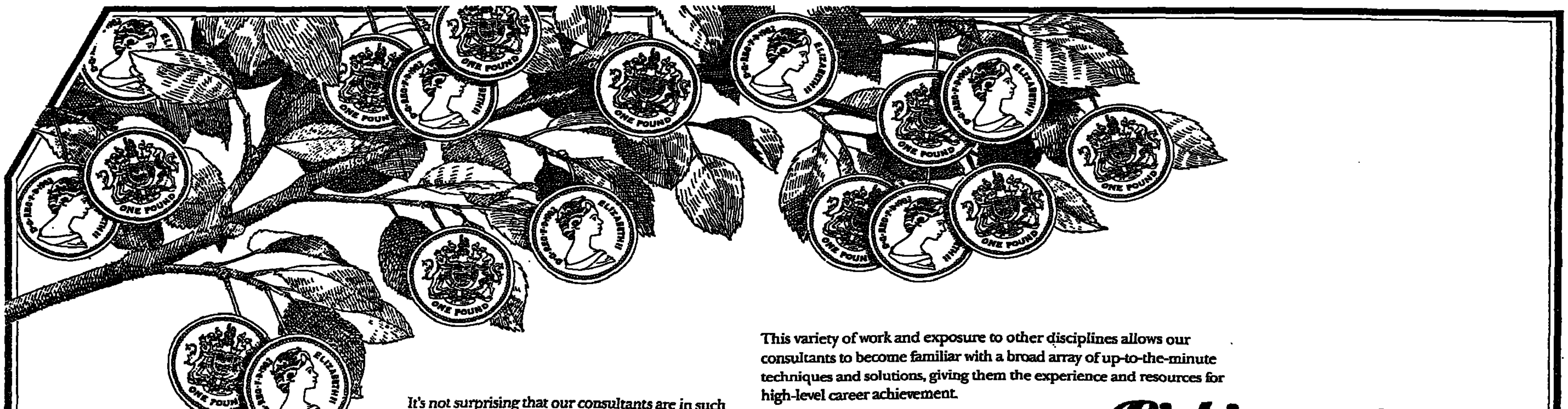

FINANCIAL MANAGEMENT CONSULTANTS

£30–£40K + Car

Thames Valley

It's not surprising that our consultants are in such great demand in the South East. Our Financial Management Consultancy team, based in Uxbridge and Reading, has gained a reputation for winning and leading multi-disciplinary assignments, drawing together specialists in strategy and marketing, manufacturing, distribution, human resources and IT.

We specialise in business reorganisation and profit improvement, and are called on to apply our skills in a wide variety of different situations, currently including:

- implementation of our recommendations for profit improvement in a major consumer electronics distributor;
- restructuring of a 1,000 strong R&D division;
- developing a business plan for an innovative retail concept;
- integrating two large electronics manufacturers.

This variety of work and exposure to other disciplines allows our consultants to become familiar with a broad array of up-to-the-minute techniques and solutions, giving them the experience and resources for high-level career achievement.

To join us, you must be a qualified accountant, probably CIMA. You may already have consultancy experience, or be an MBA with a career in finance, but more important is your broad commercial awareness, profit orientation, and practical experience as the senior financial *member of a management* team in a demanding business environment.

Picking out ways for companies to harvest greater profits

As one of the UK's leading firms of Management Consultants and Accountants, Coopers & Lybrand naturally provides an excellent financial package.

To find out more, write or fax with full CV, quoting reference 10/12 to Bruce Hucklesby, Coopers & Lybrand Associates Limited, Plumtree Court, London EC4A 4HT. Fax No: 01 822 8024.

C&L Coopers & Lybrand

هكذا من الأصل

Financial Controller

c. £30,000 + car **Surrey**

Our client is a successful, medium sized engineering company which is the UK subsidiary of an acquisitive US group. The Company is a specialist manufacturer with a worldwide reputation. It has experienced consistent growth over recent years and has maintained an impressive profit performance. There is a strong commitment to future development witnessed by continued investment in technologically advanced production facilities and the promotion of total quality.

Reporting to the Managing Director the appointee will have a major role to play in managing the company's finance function and in providing a financial perspective on all aspects of business strategy geared to maximising profitability. Key tasks will include the planning cycle, maintenance and development of costing systems and commercial review of new and existing business.

There will be ample opportunity to participate in general management decisions as part of a small, close knit executive team.

Candidates will be qualified accountants probably aged 30+ who have succeeded in a tightly controlled, profit oriented manufacturing environment. Experience of US reporting would be an advantage. You must be computer literate and familiar with spreadsheet analysis. Personal traits will include enthusiasm, flexibility, a hands on approach to problem solving and the ability to manage change and adapt to its demands.

Please reply in confidence giving concise career, personal and salary details to:–
Brendan Keelan, Ref ER 141
Arthur Young Corporate Resourcing,
21 Conduit Street, London W1R 9TB.

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Appears every Wednesday and Thursday

for further information call 01-248 8000

Deirdre Venables ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan ext 3456

Patrick Williams ext 3694

Candida Raymond ext 3351

British
TELECOM

FINANCIAL MANAGER

Chesterfield c£25,000

British Telecom's Pensions Administration Centre seeks an influential professional Financial Manager who can, as part of a strategy committee, provide information and advice to the Centre Manager on all the financial aspects of running an organisation employing over 150 staff and servicing a pension scheme with 250,000 members and 110,000 beneficiaries.

Specific pensions experience is not required but it is essential that the successful candidate has a background which reflects strong financial accounting skills and the capacity and maturity to make a significant contribution to the commercial management of the centre, its staff and the scheme's administrative procedures.

Candidates should be qualified accountants aged 30+ with the personality, and energy to lead, motivate and develop a finance team.

Applications are welcome from all suitably qualified individuals irrespective of sex, racial origin or disability and should be sent quoting ref number F/959/B to Paul Bailey.

Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU

THE RETAIL CHALLENGE

ACA/ACMA **LOWNDES QUEENSWAY PLC** **Age 28-33**

Following a well publicised consortium buy-out of the Harris Queensway group, a talented and committed management team is being assembled. Under the Chairmanship of James Gulliver, their strategic aim is to obtain competitive advantage within this fast-moving sector in which they are market leaders. This will be achieved through the enhancement of product ranges combined with concerted professional support throughout the supply chain.

Strong management and financial control are imperative to the successful execution of this strategy. This commitment has already been reflected in the appointment of two Finance Directors to the four man main board. To complement and further strengthen this finance team, they have an immediate requirement for two exceptional finance managers within the £300m turnover Furniture Division.

FINANCIAL CONTROLLER
c£40,000 + Car

Responsibilities will include the monitoring and provision of timely and accurate business data through the development of management information systems, accounting policies and control procedures. This will be achieved through the building and development of a competent and highly committed finance team. Strong leadership and motivational skills are therefore essential.

PLANNING & ANALYSIS MANAGER
c£35,000 + Car

Leading a team of astute commercial analysts, the role will include investment appraisal of substantial capital expenditure projects together with compilation and evaluation of short/long term budgets and forecasts. The provision and explanation of detailed analysis to operational management is vital in order to respond both quickly and effectively to market demands.

Opportunities for advancement within this revitalised and challenging environment will be limited only by personal ability. Relocation assistance to their headquarters in Orpington will be available if appropriate.

For further information please telephone James Hyde on 01-437 0464 or write, enclosing a detailed CV, to the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

FINANCIAL INTRAPRENEUR

Central London **Late 20's/Early 30's** **c£40,000 + Bonus + Car**

As one of the UK's largest retail groups, our client is committed to an ambitious strategy of development and growth. An unrivalled combination of market leading specialist retail and property businesses has been brought together during a five year period of dramatic turnaround.

A requirement has arisen within the high profile management team for an intrapreneur; an innovative individual to work closely with the Group Treasurer in order to maximise the group's profitability.

This individual will be responsible for developing initiatives that will ensure retail performance is translated into enhanced earnings growth. Essentially a project based role, emphasis will be placed upon devising practical solutions to complex problems. This will involve the technical analysis of available information and the consequent driving through of legal agreements, business plans and financial appraisals.

The ideal candidate will be a graduate accountant of exceptional calibre, preferably with project based experience including exposure to legal and tax issues.

In order to fulfil your potential in the longer term as an operational business leader, it will not be sufficient to be technically outstanding. A broad commercial awareness and the ability to communicate effectively in both written and oral terms to board level are essential.

If you feel that you could respond to this exceptional challenge please contact Tim Musgrave on 01-437 0464 or write, enclosing a detailed CV, to the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

ST IVES GROUP plc

One of the UK's largest printing groups, St Ives has grown from a turnover of £18 million when it came to the market in 1985 to almost ten times that figure today. Both sales and profits will continue to increase at an impressive rate through expansion of the existing core business, diversification into related fields such as packaging, and the development of overseas markets. In order to ensure that the group has sufficient high quality executives to manage this growth, the Chairman wishes to recruit two ambitious accountants who will initially take on demanding line roles in major operating subsidiaries. Success in these posts will lead to rapid career progression which will not be confined to the finance function.

FINANCE DIRECTOR (DESIGNATE)

London **£35-40,000 + car**

This position reports to the Managing Director of Burrups, Europe's largest financial printers, who became part of St Ives a year ago. Controlling 21 staff, the successful candidate will be expected to replace existing computer systems and develop management reporting. (Ref 2992)

DEPUTY TO THE FINANCE DIRECTOR

Suffolk/Norfolk **circa £35,000 + car**

Richard Clay, the UK's leading book printers, employing over 700 people, are based at Bungay on the Suffolk/Norfolk borders. Their fast-moving environment presents complex problems in the management accounting area which the Deputy to the Finance Director will be expected to tackle in order to refine the information on which the directors take key business decisions. (Ref 2993)

Applicants for both positions should be qualified accountants with good degrees, aged 28-35, with relevant experience in industry or commerce. A manufacturing background is preferred for the Bungay post.

Please send a comprehensive career résumé including salary history and day-time telephone number, quoting the appropriate reference, to G J Perkins, Executive Selection Division.

Touche Ross
Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB. Telephone: 01-353 7361.

Financial Director

An opportunity in three stages – Financial Director designate, Financial Director, and then General Manager/Director – with a privately owned £3.5m turnover group of three companies anticipating a very good pre-tax profit this year.

This sales, marketing and service organisation supplies a range of imported products to OEM's in the IT, machine tool and electronics industries and also to computer installations. Many blue-chip companies and the MOD are amongst its customers and in all three of its activities the Group is a very significant market force.

The present Managing Director and founder now wishes to develop other interests and will eventually withdraw from the day to day operation of the Group assuming the role of Chairman. He is now searching for an executive who will bring a new dimension to the business.

You will be aged about 35 and a qualified accountant with Financial Controller/Director experience offering a significant period with a sales and marketing oriented company and imported products. Additionally you will have been involved in non-financial activity and be able to demonstrate business strategy skills.

This Hertfordshire based appointment offers a remuneration package which includes a profit share element that will increase significantly with the changes in role.

Interested? Then please forward a comprehensive CV to Dennis Fielding, quoting reference MD2011 at Macmillan Davies Consultants, Salisbury House, Bluecoats, Hertford, SG14 1PU. Tel: (0992) 552552.

. . . then step up to profit responsibility

c. £35,000 + car

Macmillan Davies
MANAGEMENT SELECTION

Finance Controller

Northern Home Counties
c £35,000, Car, Benefits

The provision of an effective, professional and challenging corporate finance function is a high priority for my client – one of the largest financial services groups in the UK. Reporting to the General Manager (Finance) you will manage a team of over 150 staff to ensure that the day-to-day accounting operation runs efficiently and effectively; that strategic financial controls are in place and observed; and that management information is presented accurately and on time. A key element of your role will be on-going liaison with senior decision-makers in other parts of the group. The system is computerised and is highly sophisticated. Aged 30-40 you will be a fully qualified accountant with extensive experience of managing a large financial staff. You will already be in a senior position within a large, progressive company (preferably financial services) and playing a part in strategic policy making. Your ambition, drive and energy will be complemented by excellent communication skills and the ability to respond positively to pressure while meeting deadlines.

An excellent salary is backed by a car, profit related bonus, non-contributory pension, subsidised mortgage and share options. In addition there are extremely promising promotion prospects.

J. Morrison, Ref: M19022/FT. Male or female candidates should telephone in confidence for a Personal History Form, *01-734 6852, Fax: 01-734 3738, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB.*

Hoggett Bowers
BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR
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Cartier International Operational Audit

Amsterdam — Attractive Package

Prestige, quality products together with strong commercial and financial management have ensured the impressive growth record of the Cartier Group.

Further controlled growth is the Group objective – the newly formed International Audit Department in Amsterdam is designed to contribute to this goal.

Assisting the Audit Manager, the successful candidate will be involved in:

- the planning and execution of operational audits, ad hoc investigations and investment appraisals throughout the Group's operations.
- the recruitment, training and supervision of future team members.
- contributing to the overall development of the Audit Department and its activities.

Aged 26-30 and a qualified ACA, applicants should possess:

- 2/3 years' post qualifying experience plus exposure to international environments.
- man-management ability.
- strong interpersonal skills and the maturity necessary to communicate with senior executives.
- a good working knowledge of the French language.

Based in Amsterdam, the position will involve a high level of travel within Europe (ca. 75%) and occasional visits to the Far East and North America.

In addition to a highly attractive salary and benefits, real promotion opportunities exist within the Group.

For further information please contact Robert Steur or Stephen Burke, 010 31 20 26 67 76, or send your curriculum vitae to Michael Page International, Amstel 344, 1017 AS Amsterdam, quoting reference number SB/912.

Michael Page International
International Recruitment Consultants
London Amsterdam Brussels Paris Lyon Sydney

Financial Controller

Liberia — c £30K+Excellent Benefits

An exciting opportunity exists with an international group with operations worldwide, specialising in processing and trading commodities such as tea, coffee, tobacco and rubber. They are currently seeking a commercially oriented Financial Controller for their Liberian subsidiary. Reporting to the General Manager, the successful candidate will take full responsibility for overall financial control as part of a small management team and will play an integral part in the Group's development.

The candidate, ideally aged 30-35 years, will be a qualified accountant and have several years' overseas experience, specifically in a developing environment with the management skills to develop this expanding business.

In return, a very attractive remuneration package is offered along with excellent benefits. Housing, utilities, a company car and other benefits can be expected by the successful individual.

Interested candidates should contact: Tony Seager on London 831 0431, or write enclosing a full CV to him at Michael Page International, 39-41 Parker Street, London WC2B 5LH.

Michael Page International
International Recruitment Consultants
London Amsterdam Brussels Paris Lyon Sydney

FINANCE MANAGER

Slough — Package up to £30,000 + car

Graham Magnetics Europe, the principal business of Carlisle Corporation UK Ltd, is a major force in computer tapes and allied equipment, with subsidiaries in France and Germany. With turnover now around £15m, this new appointment, reporting to the Financial Controller, will strengthen the senior management team of this growing business with its European HQ in attractive modern offices in Slough.

Key activities will be the management of an established department with computerised systems, reporting for the various operating businesses, foreign exchange and treasury management. There will be occasional travel to Europe and the parent corporation in the US.

Candidates should be qualified, computer literate and enjoy a fast moving, sales orientated environment. Experience of US reporting and of the computer industry will be valuable.

Please send full career details, including current salary, to Mike Smith quoting ref. G/7101.

KPMG Peat Marwick McLintock
Executive Selection and Search
Abbots House, Abbey Street, Reading RG1 3BD

MANAGEMENT ACCOUNTANT

Manufacturing

Watford c.£25,000 + car

Our client is a substantial UK subsidiary of a very large group based in Europe and operating worldwide. The UK activities, mainly in chemical manufacture and related areas, are carried out through several divisions located throughout the UK, with administration and finance centralised in Watford.

The Management Accountant will be responsible to the Finance Director for the analysis and review of income and costs relating to a range of product and customer groups. Sophisticated systems facilitate the preparation of very relevant and comprehensive reports both to UK and parent management. There will be significant input into budgeting and strategic planning, the control of major projects and assets, and the further enhancement of systems. The role will involve the management of up to 12 staff.

Candidates must be qualified accountants, preferably ACMA/ACCA, with appreciable experience in manufacturing industry. They must have the maturity to communicate effectively at all levels of management and be ready to travel quite extensively in the UK and to Europe. This is a challenging role in an expanding organisation which provides excellent opportunities for career development.

Please write in confidence with full career details, quoting ref B4219, to John Hills.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

FINANCIAL DIRECTOR

Warwickshire c.£40,000+Bonus+Car

This highly profit orientated multi-discipline design consultancy are a national operation, based in Warwickshire, embarking on a significant programme of development and expansion. To complement their strong and innovative management team, the Board now seek to create the role of Financial Director.

In essence your role will be to provide financial input to strategic planning, commercial development and effective decision making.

Your brief will be to ensure that the financial and management information is generated to a state of sophistication appropriate for future business strategy and business policy.

The role carries a significant responsibility for marshalling the various functional inputs, leading from that to advising the Board and playing a front-line role in growing the business. Under the direction of the Board you will be called upon to undertake special ad hoc exercises relating to acquisition, flotation or merger.

We would like to hear from qualified Accountants with a track record of achievement, and the ability to lead a team of creative entrepreneurs into the future.

The salary and benefits package will more than reflect the calibre of individual required.

Please apply in writing, quoting reference B/164/88 to Steven French. Telephone on Friday December 9th on 021-233 1666 for a preliminary discussion.

KPMG Peat Marwick McLintock
Executive Selection
Peat House, 45 Church Street, Birmingham B3 2DL.

Group Treasurer

Central London — c£50,000 (inc Bonus) + car

The Treasurer of this dynamic group will work closely with the Finance Director and the main board on a wide area of corporate treasury matters. He/she will be responsible for the central treasury department including cash management and financing overseas subsidiaries (which will require experience of overseas transactions and foreign exchange dealing). Our client, a major international industrial group (T/O £800m), has experienced significant earnings growth in recent years, which should provide a platform for further opportunities in the future, including an aggressive programme of acquisitions. Applicants must be Chartered Accountants with relevant treasury experience in a major international firm. Ref: J1422/FT. Write or telephone for an application form or send full details (with day-time telephone number and current salary) to R.P. Carpenter, FCA, FCMA, ACIS, 2-5 Old Bond Street, London W1X 3TB. Tel: 01 493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

Group Assistant Chief Accountant

Williams Holdings plc

Williams Holdings is a multinational FTSE 100 company with annual turnover exceeding £1 billion. The company has a policy of continuing organic and acquisitive growth. Strong financial control is the key element of group operations and an additional executive to report to the Group Chief Accountant is now required.

The successful applicant should possess the line experience necessary to enable him/her to carry out operational reviews and have the knowledge to deal with technical consolidation issues.

Ideally, candidates will be aged 35 to 45 and will have acted as the Finance Director of an operating subsidiary. Experience of a group role incorporating consolidation work especially associated with acquisitions would be particularly relevant.

Candidates should be strong personalities able to cope with a wide range of management styles.

Apart from an attractive salary, prestige company car and large company benefits, you will have the rare opportunity of joining a group with substantial growth opportunities providing ample scope for personal development and reward.

If you are able to meet this specification, please write with full c.v. and salary details quoting reference AR/163 to: Brett Bull, March Consulting Group, 33 King Street, Manchester M2 6AA.

MARCH
CONSULTING GROUP

Audit Systems Development Manager

Career Opportunity — £27,000 Package

National & Provincial Building Society, already a major player in the financial services field, has further ambitious growth plans for the future. Audit Services has a key role to play in the management of this growth, and we are looking for an Audit Systems Development Manager with special skills to join our enthusiastic and dynamic team.

As Audit Systems Development Manager you will utilise your detailed specialist audit and I.T. knowledge in the evaluation and development of new systems. Your involvement will be from the earliest stage of the development life cycle and you will act as interface between I.T. and user departments.

You must be able to demonstrate significant experience and achievement in the audit systems development role, and possess excellent planning, negotiation and non-management skills. Ideally, you will be a graduate Accountant, with experience gained in the profession or broader commercial environment.

The role provides career opportunities for the right individual in an environment experiencing rapid change, growth and challenge.

Salary package as indicated which includes a company car, concessionary mortgage facilities, attractive company pension scheme and additional benefits associated with a large financial institution.

If you are interested in the above vacancy, please send a detailed C.V. to Mr D. Marston, Recruitment Manager, National & Provincial Building Society, Provincial House, Bradford BD1 1NL. Telephone: (0274) 733444.

We are an Equal Opportunities Employer

National & Provincial

Controller
Finance and Information Services

Property Portfolio – £1.5bn

Thames Valley *c.£29,000 + benefits*

Our client is a highly influential organisation controlling a diverse property portfolio valued at over £1bn. Annual income exceeds £100m and annual construction and maintenance projects are valued at over £45m. Exciting new initiatives in property, construction and development management require high calibre support services.

Reporting direct to the Property Director, your role is firstly to create and manage a central information source. You will provide strategic advice and financial management both for control of budgets and procurement and for management of professional and contract services. You will develop your own team and computing requirements.

Your background must reflect a successful track record in financial management and administration, either private or public sector, preferably within an operational cost management environment. A qualified accountant you will have the ability to develop management systems and work at the most senior levels. Property related experience, though not essential, would be an advantage.

The figure indicated includes a high base salary plus achievable bonus and a flexible car scheme permits a wide choice of cars. The generous compensation package includes mortgage assistance and relocation costs if required.

Please reply to Alison Hawley in strict confidence with details of age, career and salary progression, education and qualifications, quoting reference 5189/FT on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL.

Finance Director
Designate

Construction/Development ***c.£45,000 p.a.***

The Financial Director and Secretary of **Wilson (Connolly) Holdings PLC** has assumed wider responsibilities as Commercial Director and a successor is to be appointed. The Group has a turnover of c.£180m and an outstanding profit record from volume housing, construction, and property development, and is implementing rational extensions of its activities. This is an opportunity to join the top management team of a highly successful, major Group and to participate actively in its further growth.

Candidates must have the breadth and ambition to fit in with an active and forward-looking Board; be CA/FCA, preferably graduates; have public company experience; be holding a senior appointment in a substantial company; and should have spent a period in a related activity. Age indicator: 35 to 45 years.

Salary about £45,000 p.a.; discretionary bonus; share option scheme; car; other benefits normal to a major Group.

Based at the Group's Head Office in Northampton.

Please write with a full c.v. quoting reference 261/FT. No information will be disclosed without permission.

William MILNER
Management and Selection Consultant

1 Spencer Parade,
Northampton NN1 5AA.
Telephone: Northampton (0604) 259288.

Young Qualified Accountant

Train in Commercial Taxation

Major International Company

Become thoroughly trained in all aspects of taxation in a varied, high profile role where the emphasis is on involvement and commercial implications.

As Senior Tax Accountant, you will join a small, close knit team which handles all the taxation matters for the substantial UK subsidiary of this successful, major energy group. This is a new position, created through expansion, where your broad based duties will include technical research, preparation of planning models, tax compliance and liaison with various external authorities.

With around 2 years' post qualification experience, ideally including tax and gained in industry, you are computer literate, able to use LOTUS 123 and well organised with good interpersonal skills.

Based at the Company's headquarters in Mayfair, you can look forward to a friendly while sophisticated working environment and good career prospects. In addition to a competitive, index-linked salary, there is a comprehensive benefits package with generous relocation where appropriate.

Please telephone or write, in complete confidence, to **Sue Jagger, Simpson Crowden Consultants Ltd, Specialists in Executive Search and Selection, 97/99 Park Street, London W1Y 3HA. Telephone: 01-629 5909 or 0923 33894.**

Simpson Crowden
CONSULTANTS

CORPORATE FINANCE

Young Accountant

City ***To £24,000 + Mortgage + Profit share + Car***

This internationally respected UK investment bank has offices in Europe, USA, Australia and the Far East. They now seek a young qualified accountant to join their expanding Corporate Finance department, whose clients include major Blue Chip organisations as well as smaller companies experiencing rapid growth.

Operating within a young dynamic team, the position offers unrivalled experience and variety, providing high level financial advice on business deals around the world, including:–

▲ MERGERS ▲ ACQUISITIONS
▲ FLOTATIONS ▲ MANAGEMENT BUY-OUTS.

A wide range of career options, including financial control, senior management positions in the UK or overseas and broking will be available within the medium-term. Young ACA's (or ACMA's/ACCA's with some financial services experience), seeking a move into the City should call Jane Easton.

ALDERWICK PEACHELL and PARTNERS, Financial and Accountancy Recruitment, 125 High Holborn, London WC1V 6QA. Tel: 01-404 3155.

Alderwick and Peachell PARTNERS LTD

PARTICIPER A LA CREATION D'UNE HOLDING

Nous sommes un Groupe international spécialisé dans l'organisation de salons, représenté en France par plusieurs sociétés réalisant un C.A. consolidé de 195 M.F.

Nous poursuivons notre développement par croissance externe à travers l'acquisition de sociétés spécialisées dans le même secteur, et venons de créer à Paris une structure Holding pour gérer nos activités en France. Nous recherchons son CONTROLLER.

Directement rattaché au Président du Groupe, il est chargé de la conception et de la mise en place des systèmes comptables de l'ensemble des sociétés, de la consolidation, des déclarations fiscales et sociales, et du reporting. Il supervise hiérarchiquement les responsables financiers et comptables de ces sociétés dont il contrôle les tâches et auxquels il apporte assistance et conseil. Enfin, il dirige ou participe à des missions propres à optimiser les procédures de gestion et à améliorer la rentabilité des filiales.

A environ 30 ans, vous êtes diplômé(e) de l'enseignement supérieur avec une spécialisation comptable et financière ; vous avez une expérience acquise dans un cabinet d'Audit International ou dans une entreprise qui vous a permis de maîtriser les normes anglo-saxonnes. Vous avez une bonne expérience de la micro-informatique et vous parlez couramment l'anglais.

Compte tenu de notre volonté de croissance, nous recherchons un fort potentiel apte à évoluer vers d'autres responsabilités.

Merci d'adresser votre candidature avec rémunération actuelle sous référence 300.01 à notre Conseil Muriel ANIORT qui vous assure de sa totale discrétion. COFROR - 20, place de l'Iris - 92400 COURBEVOIE.

Cofror

LIFE MANAGER
...to design niche market products

Kent **£50,000 + car + benefits**

Our client is a small, progressive composite insurance company. Well established in the industry, it prides itself in offering life assurance policies designed to meet clients' specific insurance and investment requirements. The Company has invested heavily in information technology to ensure the provision of quality and service.

The Life Manager will have responsibility for developing and controlling the Company's existing portfolio and providing for a controlled expansion of business primarily through niche market products.

The appointee will be an actuary with several years experience of life assurance products and will ideally have a track record that displays sound technical skills and the ability to sell on products to the marketplace. Excellent communication and presentation skills must be coupled to a flexible, forward looking style. In an open, participative culture, success will require the appropriate application of the 'common touch'.

This is an outstanding opportunity to develop a successful business in a supportive and commercially aware environment.

Please reply, in confidence, enclosing full career details and quoting reference 4413 to Anne Routledge.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

A high-growth company, outstanding prospects

Finance Director – Industrial Products

Cardiff £35,000 + car + excellent benefits

This company, part of a major £1 billion international group, is bursting with potential and already dominating its market place. Like many other subsidiaries within the group, it has enjoyed rapid growth through the development of in-house technologies and expertise.

Based at the Cardiff site and with the responsibility for the activities of a second site in the East Midlands, your first priority will be to work closely with the group to install and develop a management information system. This will include a substantial investment in a new EDP function over which you will have total control. Concurrently, you will, as an Executive Director, play a 'shirt sleeves' role within the business, developing corporate strategy and pushing for growth. As part of a lean and hardworking senior management team, you will receive strong backing from the group board to expand the business both organically and through acquisition.

In your early to mid-30s, you will be an ACMA with hands-on experience of developing management information and costing systems, especially through the introduction of improved EDP processes. These skills will be complemented by a strong commercial approach to business and some original-thinking when it comes to financial matters in manufacturing.

This position offers unrivalled career development potential. The achievement of corporate targets through rapid growth will almost certainly mean top-level general management opportunities within the organisation. Relocation assistance to the Cardiff area is available.

If you feel you have the qualities and experience to succeed in this challenging role, please send your cv or telephone or write for an application form to Stephen Newman, Ref: 2845/SN/FT.

PA

PA Personnel Services

Executive Recruitment · Human Resource Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Fax: 01-235 0434 Telex: 27874

Senior Accountant
Recently Qualified
INTERNATIONAL SECURITIES

c.£23,000 + Car + Benefits

The Client is a major U.S. Investment Banking and Securities Trading Group with substantial European representation. An organisation rated as one of the world's leading Investment/Retail banks, it has consistently demonstrated an innovative and adventurous approach to both new and traditional financial markets.

As a Senior Accountant, within a team of seven, you will report to the Head of the Business Unit Finance section and assume responsibility for a range of products including fixed income securities, gilts and arbitrage. More specifically, this will include the preparation of daily P&L reports and the review of mark-to-market prices together with the maintenance of legal books and analysis and provision of management information, involving constant liaison with the dealers and trading management.

Candidates will be newly qualified Chartered Accountants, aged 24-28, with 6-12 months experience gained within a Securities environment – preferably including an exposure to the Bonds or Futures/Options markets. A high level of analytical, conceptual and interpersonal skills together with a sound P.C. based systems knowledge and the flexibility to function equally well on their own and within a team are essential criteria.

For further information, please telephone or write, in strictest confidence, enclosing full career details, to David Goodrich, Firth Ross Martin Associates Ltd., Bell Court House, 11 Blomfield Street, London EC2M 7AY Telephone 01-628 2441 Fax 01-382 9417.

FIRTH ROSS MARTIN ASSOCIATES LTD.

Senior Trusts Manager

Leading International Firm of Chartered Accountants

North of England To £30,000 + Car + Benefits

Our client has retained us to recruit a further Trusts Manager for their Leeds office.

This is a demanding position within a rapidly expanding practice with a thriving portfolio of varied clients which offers the opportunity for rapid promotion and financial rewards.

You are probably in an accounting or legal practice, in chambers as a barrister, or enjoying a successful career in a bank's trustee department and can demonstrate exposure to a range of trust work in compliance and planning.

If you are ready to face the challenge of a fast-track career appointment with a market leader, please contact Graham Thompson or Stuart Adamson FCA on 0532 451212, or send your CV in confidence to Adamson & Partners Limited, 10 Lisbon Square, Leeds LS1 4LY.

ADAMSON & PARTNERS LTD.
Executive Search and Selection

European Financial Controller

West London

to £30,000 + car

Our client is an extremely fast moving, high growth UK plc within the distribution sector who has achieved a six fold increase of profit before tax over the last three years and has a current t/o of c£100m. The largest division of the business has successfully completed a major acquisition within the last month and now operates through 60 sites within Europe.

As a result of these rapid developments this is a new position that will report to and work closely with the International Finance Director. Responsibilities will cover all financial and management reporting, preparation of board reports, review of capital appropriations and further acquisitions. Liaison with country controllers will be an important aspect of the work and necessitate occasional visits.

Candidates should be qualified accountants, age indicator 27-34, who have had some experience in a multinational environment. You should also be technically sound, familiar with computer systems and a good communicator who is able to work in a fast pace company. This is an excellent opportunity to join an ambitious and lively group.

Please telephone or write enclosing full curriculum vitae quoting ref: 242 to:

Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE
Tel: 01-839 4572
Fax: 01-925 2336

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

Assistant Financial Controller

Strategic finance – your first move towards international senior management

North West | **Age 27 – 32** | **c. £24,000 + car**

THE COMPANY

The UK marketing operation of a major multi-national company, is currently seeking a young, high-flying professional to help strengthen and refine their management reporting function.

THE POSITION

Reporting to the Financial Controller, and deputising in his absence, the successful candidate will be a member of the company's senior management team with daily contact at director level.
Major responsibilities will include: developing management information systems; preparing and monitoring budgets and forecasts; consolidating subsidiary company accounts.

A *strategic development role, this demanding assignment*, if handled successfully could, within 2/3 years, lead to promotion into senior general management, possibly abroad.

THE IDEAL CANDIDATE

Clearly, excellent accounting skills, allied to proven intellectual ability, are pre-requisites for the achievement of the results our client is seeking, but a capacity to stand back and take a strategic view will be equally important as the role develops. A good degree in addition to an accountancy qualification will therefore be of considerable advantage.

Upon this foundation, you are likely to have built two years experience of sophisticated management reporting systems gained within a major company.

THE PACKAGE

Included with the generous salary and car is an excellent benefits package, fully reflecting the high-profile status the company has achieved in its field.

TO APPLY

If you feel you have the drive, keen intelligence and the determination to succeed in an international business environment, simply telephone Stephen Young, today or tomorrow, on 01-631 4411 for an informal conversation or application form. Or, better still, send your complete career details to him at Moxon Dolphin & Kerby Ltd., 178-202 Great Portland Street, London W1N 6JJ. Tel: 01-631 4411 quoting reference no: 1504. Please state any companies to which your details should not be sent.

MOXON·DOLPHIN·KERBY
EXECUTIVE SEARCH & SELECTION

Finance Director

Circa £35,000 p.a. + bonus + share options

Our client, an expanding and successful UK engineering PLC with international interests, is seeking a Finance Director for its major subsidiary whose products are in demand both nationally and internationally. The company is experiencing rapid change and they now require a high calibre Finance Director who is capable of handling the next critical stage of its development.

Based at the Company's headquarters in the North of England, and reporting to the Managing Director, you will be responsible for the total finance function. A key task will include the upgrading of financial and management reporting systems with special attention given to the areas of financial planning, cost control, cash management and working capital control.

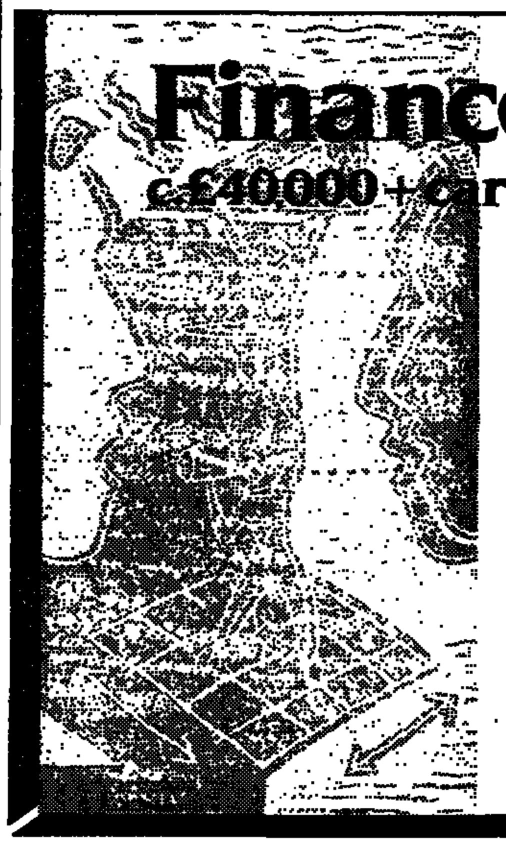
You must be a practical qualified accountant, probably ACMA, ideally with a degree or MBA, preferably aged in your mid-30's, with a strong commercial awareness. You must be computer literate and have an excellent track record in the finance function with a major profit orientated organisation in manufacturing or engineering.

You must have a strong personality, be energetic, highly motivated and able to demonstrate that you have achieved success in a changing environment. In addition you must possess excellent man-management capabilities and be able to demonstrate first class technical and interpersonal skills.

This is a critical appointment which will require a candidate of the highest calibre, but long term career prospects within the group are excellent.

Please reply in confidence, including a full CV to Adamson & Partners Ltd, 10 Lisbon Square, Leeds LS1 4LY or telephone Stuart Adamson FCA or David Gawthorpe on 0532 451212.

ADAMSON & PARTNERS LTD.
Executive Search and Selection



Finance Director

c.£40000 + car and benefits N.Home Counties

Our client is a leading supplier of premium products to companies in the home improvement market. It is the major element of a c£40m t/o PLC and is poised for outstanding organic and acquisitional growth. There is now a need to recruit a Finance Director to help guide the Group through its next phase of development.

The Finance Director will be responsible for all the Group's financial systems and controls as well as overseeing its information technology strategy. Contribution to the Group's general management and planning processes are major parts of this role and opportunities for rapid career development are excellent, including promotion to the Group Board of the parent PLC.

You should be a qualified accountant, in your early thirties, with a broad range of financial exposure gained from working in different environments, including a PLC; manufacturing, distribution and multi-site operations should also be part of your experience.

Please reply in confidence, giving concise career and salary details and a day time telephone number, quoting reference 1568 to Geoffrey Rutland ACA ATII at the address below or call him on 01-583 3303 (office) or 01-878 8395 (home).

BDO BINDER HAMLYN
BDO Binder Hamlyn
Management Consultants
8 St. Bride Street
London EC4A 4DA

Internal Audit

South West c.£30K + car

Major engineering group, a leader in its hi-tech fields, seeks an Internal Audit Manager to be directly responsible to its Managing Director for the development of procedures and controls, for carrying out major investigations and for ongoing involvement with main board directors. Excellent benefits include relocation costs if necessary.

Candidates, probably aged 30-45, will be qualified accountants who have had involvement in major Government contracts and/or engineering construction projects. Creative ability, high technical competence and communication skills are essential qualities. Success will be quickly recognised.

For a full job description, please write or FAX (01-487 4600) to W T Agar at John Courtis & Partners, 104 Marylebone Lane, London W1M 5FU, demonstrating your relevance clearly and quoting Ref. 2297/FT.

JC&P Management Selection and Search
London, Milton Keynes, Wilmslow

UK FINANCIAL CONTROLLER

Windsor | **Age 27/35**

c £35/40k package + Prestige car + Share Options

ALBERT FISHER

The Albert Fisher Group plc is a major international food service and distribution Group – operating in the UK, Continental Europe and North America. Turnover has surged from £44m in 1984 to a current annualised rate of £800m, which has been achieved by both organic growth and acquisitions; 11 acquisitions, totalling over £100m, were made in the last financial year.

This expansion has created a new opportunity for an outstanding professional to take financial control of the Group's UK operations. These comprise 15 businesses, covering fresh-food sourcing, processing and distribution, with an annual turnover of some £150m.

Based at the UK Headquarters in Windsor, you will have a dual reporting line to two main Board directors who have responsibilities for separate divisions – as well as a functional link to the Group Finance Director. Your role will be to monitor and interpret operating results from each of the UK subsidiaries, to assist in setting budgets, developing business strategies and to assist with acquisitions. You will need to visit each subsidiary, understand their business and establish a liaison with the respective management teams.

This will be a very demanding role for you, working under pressure both in a "hands on" capacity and as a financial advisor to the Directors. You will be a qualified Accountant, preferably a graduate, with an excellent track record to date. You will need to be self-motivated, have the ability to communicate well with others and be able to react quickly and effectively to situations as they arise. Prospects in this exciting Group are outstanding.

Relocation expenses will be paid where necessary.

Please contact Laurence Barnett or Dudley Harrop at our Manchester office quoting ref. B195.

ASB
Amethyst House, Spring Gardens
Manchester M2 IEA. Tel: 061-834 0618
Fax: 061-832 9123
Also at: Liverpool and Leeds

ASB RECRUITMENT LTD **A Division of ASB Barnett Kinnings Plc**

FINANCE DIRECTOR

High-profile manufacturing market leader

Rural East Midlands | **£45,000 package**
Early/mid 30's | **car and benefits**

The Managing Director of this £50m+ turnover business needs to take a number of key decisions to set the company's course into the early 90's. An important element in this plan is to strengthen the Board by bringing in a tough-minded financial executive who will make a major contribution to achieving the ambitious profit and performance goals.

The company manufactures a range of quality products that are sold into the UK retail market both as branded and "own label" goods, with its main manufacturing plant in rural East Midlands. It is part of a Group that is renowned for positive marketing and clear strategic thinking, together with a bold acquisition policy supported by strong internally-managed growth.

Upon arrival, your role will be to direct and finetune an existing high-calibre accounting team that handles day-to-day management reporting efficiently and effectively. However, your main thrust will focus on business planning, new market developments, and the financial implications of all commercial policy decisions.

You should be a qualified and highly-successful professional, probably in your early/mid 30's. You will have a firm grasp and understanding of business, a high level of self-motivation and a personality that makes things happen. The job will be tough; there are important decisions to be made. But if you meet the challenge successfully, you will find that prospects within the Group are outstanding.

Relocation expense will be paid where necessary.

Please contact Dudley Harrop or Lawrence Barnett at our Manchester office quoting ref. no. B194

ASB
Amethyst House, Spring Gardens
Manchester M2 IEA. Tel: 061-834 0618
Fax: 061-832 9123
Also at: Liverpool and Leeds

ASB RECRUITMENT LTD **A Division of ASB Barnett Kinnings Plc**

FINANCIAL DIRECTOR
MAIN BOARD APPOINTMENT

Salary circa £35K
Plus Car
Harrow | **Plus Excellent Benefits**

Our Client is a successful Company in the Financial Services and Database Management section of the Insurance, Automative and Retail Industries. They need an energetic and ambitious Finance Director with the commercial awareness and flair to increase the profitability of the Company.

This is a key position for the future development of the business. The successful candidate, in addition to having overall responsibilities for accounting and management reporting functions, will represent the company to Financial Institutions. He or she will concentrate initially in the areas of Treasury Management and Investment appraisal, together with the review of new projects, acquisitions and expansion plans.

Applicants should be qualified Chartered Accountants aged 30-45 with significant hands on experience of management and computer systems, corporate finance and investment. Working knowledge of acquisitions and flotations would be advantageous.

For more details, please write with extensive CV quoting reference FT/I/AJK to:

Paula Manning,
2 Canary Wharf,
London E14 9SY

FINANCIAL DIRECTOR
(DESIGNATE)

Central Lancs | **Salary Neg c£30K + incentive package**

Our client is a small, but growing and well established privately owned British group, that manufactures DIY and home improvement products. Turnover profitably exceeds £3M, and is continuing to expand both in the UK and, increasingly, overseas.

An opportunity to lead an enthusiastic accounting team now exists for a qualified accountant aged 30 to 40, reporting to the managing director, who will have responsibility for:

- a contribution to growth through acquisition
- total UK and overseas accounting
- company secretarial tasks
- integrated computerised systems
- day-to-day group administration

Excellent rewards for a successful appointee will include a share option in due course. Relocation expenses will be negotiated where appropriate.

Candidates, male and female, please telephone Windsor (0753) 867175 (24 hrs) for further details and an application form or write with CV to David T. Bentley, Manager, Human Resources, 3i Consultants Ltd, 8 High Street, Windsor, Berks SL4 1LD, quoting Ref: DB/822.

3i Consultants Ltd
Human Resources

A WEALTH OF EXPERIENCE

GROUP FINANCE DIRECTOR

M4 Corridor | **c£40K + Car**

ALISON ASSOCIATES, a profitable company established in 1972, designs computer software systems for the motor industry. Clients include the majority of leading manufacturers and their dealers. Following a recent acquisition, and in anticipation of further expansion within the UK and Europe, the company seeks a Group Finance Director.

The appointee will be a qualified accountant, aged 30–45, with entrepreneurial flair and a progressive track record ideally gained in a service environment. Experience of systems development is essential. Personal qualities sought include enthusiasm, commitment and the ability to make things happen.

The package includes a salary negotiable around £40K, fully expensed company car, plus attractive fringe benefits.

For further details telephone Windsor (0753) 867175 (24 hrs), or write with CV to Peter A. Page, Human Resources, 3i Consultants Ltd, 8 High Street, Windsor, Berkshire SL4 1LD, quoting Ref: PP/824.

3i Consultants Ltd
Human Resources

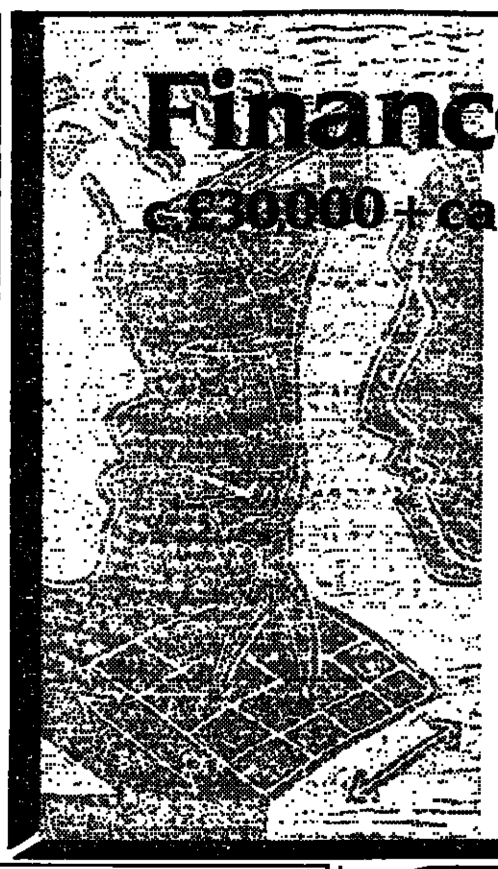
A WEALTH OF EXPERIENCE

OFFICE MANAGER

Required for new but expanding stockbroking firm in city. Previous experience of back office procedures and systems essential, together with accounting expertise of same.

Write with C.V. to:

The Chief Executive,
RND International Ltd,
33 Throgmorton Street,
London ECQN 2BR



VAT Consultant

Exceptional Career Opportunity

North of England **To £35,000 + Car + Benefits**

Our client, a leading international firm of Chartered Accountants and Management Consultants, is looking for a high calibre VAT Consultant to lead the VAT department of its Leeds office into the next phase of its development. This rapidly expanding practice has many prestigious clients whose planning requirements are sophisticated and diverse.

This broad-ranging role will involve recruiting for and managing this department to establish the organisation needed to expand the service.

This is a key appointment. Candidates should be aged 30 to 40 and will have broad VAT experience gained in a Chartered Accountant's office or similarly with a Solicitors practice or Customs and Excise. The successful candidate will possess excellent technical expertise, sound strategic thinking and a good commercial approach.

This important position carries a highly competitive remuneration package including a range of large firm benefits and a real opportunity for career progression to a directorship/partnership.

If you are interested please telephone Graham Thompson or Stuart Adamson FCA on 0532 451212 or send your CV to Adamson & Partners Ltd, 10 Lisbon Square, Leeds LS1 4LY.

ADAMSON & PARTNERS LTD.

Executive Search and Selection

Investment Manager

North West London £40,000 + car and benefits

A market leader in electronics, our client is one of this country's success stories. The Chairman is a highly energetic manager who, in addition to the company's funds, has large invested funds of his own.

An Investment Manager with a high degree of integrity and self motivation is sought to control the Chairman's own investments and those of the company and various charity and pension funds.

The role will involve accounting for the company's cash on deposit and providing the Chairman with information regarding his own private investments. It will also involve dealing with his tax affairs.

The ideal candidate will be a mature individual with at least eight years' post qualification experience. Computer literacy is essential, as are commercial acumen, a long term approach to investment management and the ability to communicate effectively. Candidates should come from a financial services or treasury background and must have an up to date knowledge of tax.

Salary will not be a barrier to the right person, and the generous package will also include a fully expensed executive car, pension, performance related bonus and private health scheme.

Please write in confidence, to Kelly Iriondo, quoting reference SHA.1222, to the address below.

Stoy Hayward Associates

MANAGEMENT CONSULTANTS, EXECUTIVE SELECTION DIVISION, 8 BAKER STREET, LONDON W1M 1DA
FAX: 01-487 3686
A member of Horwath & Horwath International

FINANCIAL ACCOUNTANT – ASSETS

A £600M CAREER CHALLENGE

The first ever private transatlantic cable link and the most advanced telecommunications network in Europe are facts behind phenomenal success for Mercury Communications. And when you translate these facts into figures it adds up to assets worth over £600 million. As Financial Accountant in charge of assets, you'll enjoy a professional stature difficult to match elsewhere.

Your brief will be to strengthen assets accounting via the development of registers to record network and customer site fixed assets. You'll also be expected to produce regular accounting reports and analyses plus specifications for new stock requirements.

An ACCA or ICMA member with at least two years' post-qualification experience in all financial accounting areas, you'll ideally have a specialised stock/fixed asset background within a major organisation. Directing a small, energetic team, you will make full use of your communication and management expertise.

Join us in the West End, at this dynamic stage in our corporate development, and you'll find our success reflects on your career. You'll also enjoy a salary of up to £26,000 plus company car and attractive benefits.

Mercury COMMUNICATIONS

If your track record lives up to ours write to Julie Rowan, Personnel Department, Mercury Communications Limited, 90 Long Acre, London WC2E 9NP or phone her on 01-528 2140.

Multinational Plc in retail, food and drinks industry

GROUP FINANCE DEVELOPMENT ROLES

Central London **£25-32,000 plus f.e. car etc.**

Our client is experiencing continuing rapid growth, both organically and by acquisition. This expansion and resulting promotions have generated several exciting opportunities for young, ambitious Accountants.

The roles currently available are varied, but all offer an initial 12-18 months of a "steep-learning-curve" situation involving **key development issues.** During this period individuals can expect high exposure to technical matters, **commercial decisions** and their **business impact,** and **key personnel.**

Essential pre-requisites for joining this challenging environment with a history of promotions are:

* An Accounting qualification supported by a top quality academic and technical track-record.
* High level interpersonal skills and career commitment.
* Proactive approach to problem identification and solving.

If you feel that you could contribute to and develop from this challenge please contact Karen Wilson BA ACMA, on 01-491 3431 (0895-633429 evenings/weekends) or write to her at FMS, 14 Cork Street, London W1X 1PF enclosing a recent CV and a note of current salary.

F M S

Search and Selection Specialists for Financial Management

We are a marketing based advertising and design consultancy situated in Windsor, and we require a Financial Controller to guide us through the next critical phase of our development.

FINANCIAL CONTROLLER

c. £25,000 + CAR

Having built a solid base of "Blue Chip" clients, we are now planning a substantial development of the business over the next three years.

This demanding role requires a qualified accountant with commercial flair as well as sound technical skills. Reporting directly to the board, the task is to develop improved accounting and reporting systems, and to assume total control of the treasury function. We see this appointment as a very high profile role and the requirement is for a proactive rather than reactive accountant who can make an immediate contribution at senior management level.

The successful candidate will probably be aged around 30 and have several years commercial experience in a fast moving environment.

The remuneration package includes a fully expensed car, pension scheme and BUPA. The salary will not be a limiting factor to the right candidate.

Suitably experienced accountants should write, enclosing full CV to Box A1073, Financial Times, 10 Cannon Street, London EC4P 4BY

Appointments Advertising

Appears every Wednesday and Thursday

for further information call 01-248 8000

Deirdre Venables ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan ext 3456

Patrick Williams ext 3694

Candida Raymond ext 3351

FINANCIAL CONTROLLER

c.$60,000 US

U.S.A.

Our Client is a household name European organisation with a worldwide range of activities in manufacturing, retail and financial services. A CFO is sought for an autonomous *manufacturing facility in N. Carolina, USA. Reporting direct* to the Company President in Italy, this is a number one position taking overall responsibility for all accounting and reporting to the parent, together with strategic input to the management team on site. Candidates should be qualified Accountants, aged 30-40, with manufacturing experience, knowledge of US accounting, and must possess fluency in Italian.

TREASURY ANALYST

c.£35,000 + Car

C. London

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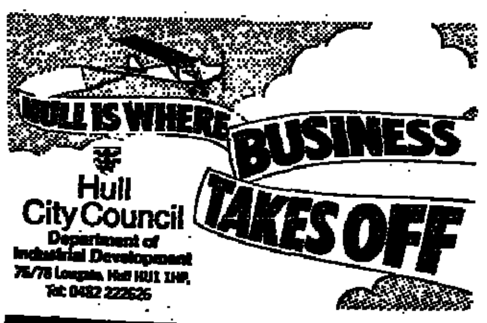

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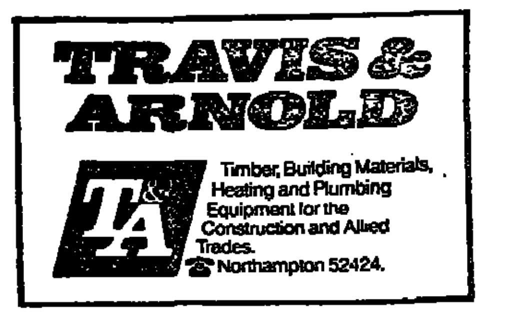
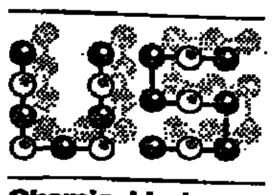
COMPANIES & MARKETS
Thursday December 8 1988



INSIDE

Monsanto's president reaches for the sky



Chemical Industry

Since becoming president of Monsanto in 1980, Mr Richard Mahoney has sold or shut down $4bn worth of low-margin business and spent more than $3bn to take Monsanto into pharmaceuticals through heavy spending on research and the acquisition of G.D. Searle. He has promised Wall Street he will raise Monsanto's profitability to the levels achieved only by such drug powerhouses as Merck. The first of a series of articles on the US chemicals industry appears on **Page 24**

Gloom in Singapore

Singapore's Christmas celebrations have failed to penetrate the gloom in the equity market, where a lack of interest from overseas investors has caused volume to dwindle and share prices to mark time, writes Roger Matthews. **Page 46**

Diamonds are Botswana's best friend

The economic boom in Gaborone, capital of Botswana, is being driven by the country's diamond industry, which in the past 20 years has transformed it from one of the world's poorest countries into one of Africa's richest. Debswana, the country's sole diamond mining concern, is owned jointly by the Botswana Government and De Beers Consolidated Mines of South Africa — an incongruous but necessary and profitable link. **Page 34**

Reaping the grain harvest

As the grains were calming down into the US harvest period — a traditionally quiet time for the commodity markets — Elders Futures announced it would expand its division to 17 members. When the Australian company decided to set up a grain division at the Chicago Board of Trade in January, it had little idea of the tumultuous reception the grain markets had in store for it. **Page 27**

Strong brew from Bass

Bass, Britain's biggest brewer, yesterday reported a pre-tax profit of £448.6m for the year to September 30, an increase of 22.9 per cent on the previous year. Mr Ian Prosser (left), Bass's chairman, said: "We are confident of the opportunities our businesses offer. We are looking to expand all of them — not only in the UK but overseas. Earnings per share for the year also increased by 22.9 per cent. **Page 30**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				TRT	1306	+	86
Rises				Matra	235	+	15
MAN	235.5	+	6.8	GTM Entrepose	615	+	52
Deutsche Bk	540.5	+	12.5	**Falls**			
Falls				Guyenne Gasc.	705	−	22
Bayer Hypo	380	−	5	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Pilot Pen	1210	+	180
Interco	31¾	+	2	Totetsu Kogyo	1160	+	110
Lafarge Cp.	17¾	+	1⅛	Matsuzakaya	8000	+	550
Syntex	40¼	+	½	**Falls**			
Texaco	49¾	+	⅞	Daikin Inds.	970	−	80
Falls				Taito	2020	−	160
Tenneco	49	−	½	Sakata Seed	3350	−	250
WYSE Tech.	7⅛	−	1⅜				
PARIS (FFr)							
Rises							
Intertech.	1565	+	218				

New York prices at 12.30.

LONDON (Pence)				Blue Arrow	84	−	5½
Rises				Brit. Land	339	−	13
Albion	71	+	8	Carless	109	−	9½
Beecham	458	+	5	GUS A	946	−	29
Cable & Wire	371	+	7	Hestair	269	−	17
Cambrian & Gen	103	+	11	Mentor	37	−	8
City Site	208	+	8	Parrish	50	−	28
Davy Corp.	170	+	9	Pearson	644	−	12
Guinness	329	+	5	Prowting	145	−	29
Hanson	157	+	5	Reed Exec.	120	−	26
Legal & Gen	284	+	6	Salvesen (C)	150	−	12
Noble Raredon	153	+	13	Yale & Valor	317	−	11
Pittard G'nar	200	+	8				
Racal Elec.	264	+	6				
Falls							

BTR moves into metering sector with $437.5m deal

By Nick Garnett

BTR, the UK industrial group is paying $437.5m in cash for the measurement and flow control division of Rockwell International, the US engineering and technology company.

The deal, which is being done through BTR's wholly-owned US subsidiary, BTR Dunlop, will bring the British company into metering equipment for the first time and will almost double its sales of valves.

The Rockwell division had an operating profit of $42.5m in the year to September on sales of $376m. Of these sales, metering equipment accounted for $230m.

The disposal by Rockwell, which has still to be finalised, fits in with the US company's strategy of selling peripheral activities and concentrating resources on core businesses of aerospace, automotive components, electronics, graphics and industrial automation.

It sold earlier this year its Rimoldi industrial sewing machines business to managers of the Italian company.

BTR is negotiating a number of other acquisitions whose total purchase costs would be considerably larger than that for the Rockwell business.

Sir Owen Green, chairman of BTR whose last major purchase was the $572m acquisition in October of Feltrax, a New Zealand carpet and furniture maker said none of these deals were imminent.

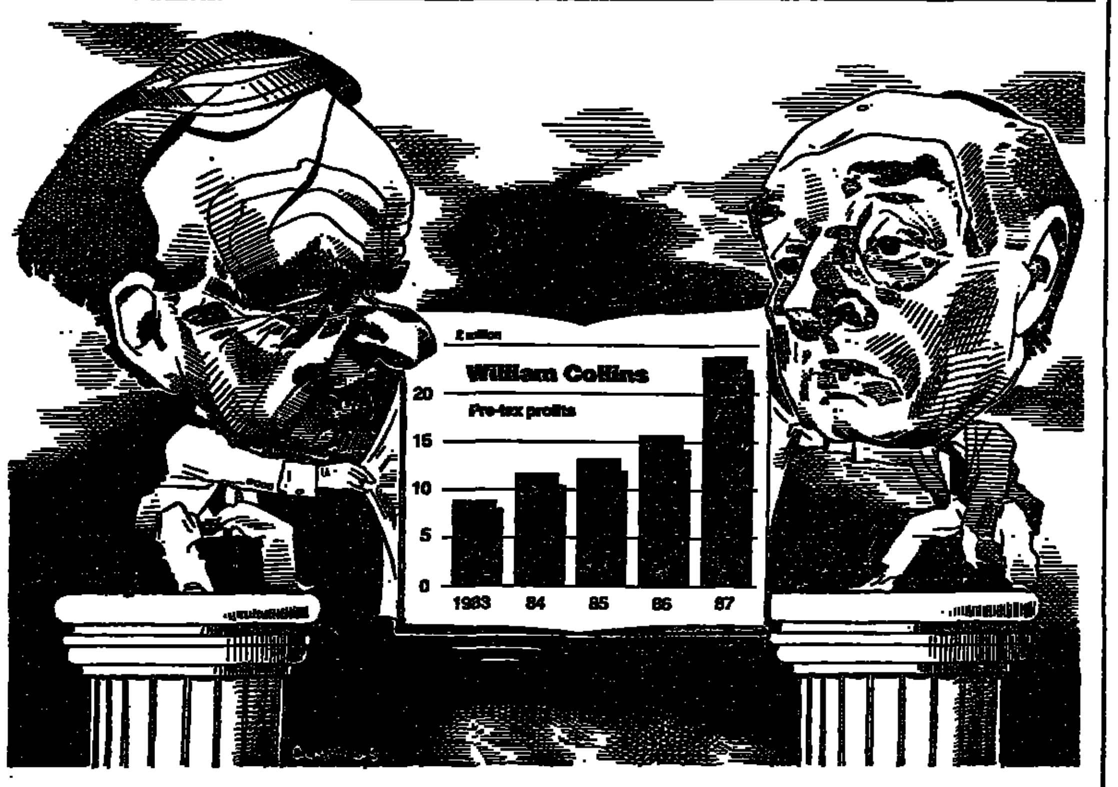
The British company had valve sales last year totalling $150m. Its principal valve businesses are Worcester Controls and Serck Audco, both UK operations with plants in Europe and the US.

The Rockwell business specialises in valves for water and gas flow, two areas in which BTR is weak. Sir Owen stressed, however that the main reason for buying the business was Rockwell's strength in meters and in overall electronic control systems.

BTR believes that metering of water supply, particularly in the UK with forthcoming privatisation of the water industry is a growth area and that in the long term, gas will perform better than other energy sources.

Sir Owen said that the group was interested in purchasing other businesses manufacturing metering equipment and indicated that one of these could be among the next group of BTR acquisitions.

Analysts believed the purchase would enhance BTR earnings and that the Rockwell division could be rationalised, helping to increase profits in the first year by $10m.



Collins at the centre of a plot it would prefer to keep to itself

Takeover, a story of rivalry, unbridled ambition and strong passions, set against the torrid background of City boardroom affairs.

In other circumstances, it could make a blockbuster for William Collins. As it is, the publishing house finds itself at the centre of the plot. It is now well into Chapter Two of its own rapidly unfolding commercial drama. Collins is fighting a £294m ($548m) hostile bid from Rupert Murdoch's News International, which claims Collins needs stronger management.

It is Mr Murdoch's second attempt to capture Collins. His first, in 1981, was unsuccessful, after a fierce battle put up by Ian Chapman, then, as now, chairman of Collins, and packs of passionate authors determined that their publisher should retain its independence.

Mr Chapman is hoping for a repeat performance, and certainly Collins's authors are responding, but this time round he is facing the solid bulk of Mr Murdoch's 41.7 per cent share stake built up in 1981.

He is also seven years older, and, at 63, looks a little tired, sitting in his shirtsleeves in Collins's West End office. Mr Chapman has spent 46 years with the company, and plainly will not give up without a fight, but he has not quite tied the laces on his gloves yet.

Neither, for that matter, has Sonia Land in the Murdoch corner. As director of planning at News International, Ms Land is handling the bid for Collins, a company she knows well after working there for five years until this February, latterly as group finance director. Ms Land has a good 23 years on Mr Chapman, and does not look tired as she sits in her sixth floor office at fortress Wapping, but, while as charming and courteous as Mr Chapman, she is equally cagey about what lies at the heart of the criticisms.

"I won't start mud slinging," she says, echoing the exact words of Mr Chapman just hours before. For two publishers, both sides are remarkably tight with their words. But no good story teller ever gave away the plot early on.

But why should Mr Murdoch, after sitting, along with a second News International representative, on the Collins board as a non executive director since 1981 – a relationship which both sides say worked extremely well – suddenly go for the whole lot? He had not even availed himself of his right to acquire 2 per cent a year of Collins's voting stock.

City feeling suggests that Mr Murdoch is keen to get Collins on the cheap.

"It makes sense to acquire Collins as we have the 41 per cent, but only at a fair price," says Ms Land. There was no reason to pay a premium for control. However, publishing analysts regard the News offer of 640p for ordinary shares and 535p for the "A" non-voting shares as clearly underpriced.

"On estimated profits of £34.3m in 1988 and £40m in 1989, the exit multiples of 13 times and 11 times appear extremely undemanding," says Mr Eric de Bellaigue at CIBC Securities.

Based on prices paid for other publishing groups in the spate of recent deals, an exit multiple of 20 times for Collins would not be exaggerated, suggesting a price of 1025p for the ordinary and 850p for the "A" shares, he said.

Fiona Thompson examines Rupert Murdoch's second bid for control of the publisher

On the day he launched the bid, Mr Murdoch said that he was keen to expand into book publishing worldwide and saw Collins as a reasonable foundation. No one would deny this. Founded in 1819 as a publisher of religious tracts, Collins's publishing interests extends across mass market titles in fiction, through reference and educational books, bibles, natural history, biography, and childrens' books. The publisher has more than 900 authors, including such big names as Anita Brookner, Frank Delaney, Len Deighton, Barbara Taylor Bradford, Hammond Innes, Jack Higgins, John Harvey-Jones, George MacDonald Fraser, Alastair MacLean, Fay Weldon, and Mikhail Gorbachev.

Certainly Mr Murdoch's existing wholly-owned publishing interests, Bay Books and Angus & Robertson in Australia, Times Books in the UK and Salem House in the US, are minor compared to Collins and Harper & Row, the US publisher owned 50 per cent each by Collins and News Corp.

Collins ranks sixth or seventh in the world league of book publishers and fourth in the UK. "Collins, together with Harper & Row, would form quite a formidable force in world publishing," said Ms Land. Also, it would fit in "quite comfortably" with Mr Murdoch's film and television interests.

In its offer document, News claims Collins's management needs strengthening. Profits in its core businesses have declined, eight key executives have left, staff morale is low, and opportunities have failed to be exploited, it says.

There is certainly some truth in these claims but on examination they are a little weak. Collins's pre-tax profits have risen from £8.55m in 1983 to £24.08m last year. Operating profits of the core businesses in the first half of 1988 did indeed flatten from £6.9m to £6.4m, but "Who ever heard of making a judgment on half year figures?" said Mr Chapman. There were one-off characteristics to the decline, including heavy US returns on A Day in the Life of Russia, and higher returns in UK publishing following the introduction of electronic-point-of-sale equipment at WH Smith which identified slow moving stock and immediately shipped it back to Collins.

The issue of the eight who left may provide a key to the sudden deterioration in the Chapman/Murdoch friendship. Not all eight were senior key executives, claimed Mr John Clement, Collins's group managing director, publishing, and Ms Land's description of the eight certainly places four on a distinctly separate tier. That said, two who left were divisional managing directors, she was group finance director and the most significant leaver, Mr George Craig, was group managing director and vice-chairman.

For two years all Collins's executives reported to Mr Craig, not directly to Mr Chapman, and there was clearly a difference of approach causing substantial strains, according to John Clement. The solution, seconding Mr Craig full time to the then newly acquired Harper & Row, became a rift when he and Mr Chapman quarrelled over whether Collins should sell some Harper & Row titles. Mr Craig was a strong operational manager, as distinct from a publishing manager. "He came from Timex," said Mr Clement.

There were many at Collins unhappy to see Mr Craig go. "He was a good communicator," said a long serving staff member. "Ian Chapman is an authors' person, he goes outwards rather than inwards."

Chapman would not deny this, in fact he sees it as his strength. "What we have offer our authors is a very special relationship, trust and friendship that goes back over a long time. We don't want change at Collins.

Nikkei surge pushes index over 30,000 for first time

By Stefan Wagstyl in Tokyo

THE JAPANESE stock market soared to a record high yesterday, taking the Nikkei index above 30,000 for the first time, in a surge of trading fuelled by the expiry of stock index futures contracts.

The Nikkei closed at 30,050.82, up 381.44 on the day. It climbed 223 points during the last hour, in Tokyo's first experience of a "witching hour" – the time when volumes soar and prices swing wildly because a heavily-traded futures contract expires. Stock index futures were introduced in Japan in September and the first contract ran out yesterday.

The sight of the index above 30,000 made headline news across Japan last night. The symbolic significance was marked by commentators who said it showed how well Tokyo had weathered last year's plunge in equity prices compared with Western markets.

In the market, brokers were generally more subdued, mindful of the lingering illness of Emperor Hirohito. Moreover, many dealers were surprised at the impact on the market of the futures contract expiry. They feared that such a sudden jump could be matched by a fall.

Others refused to be impressed by the passing of a psychological barrier. Mr Hiroshi Taguchi, deputy general manager of equities at Nomura Securities, said: "There are no celebrations. We have been expecting it to go above 30,000 for a long time." Nikko Securities said that "30,000 is not the target. 33,000 by next March is."

Operators continue to worry about the US budget and trade deficits. But the engine powering the market is the Japanese economy, which grew 9.3 per cent on an annual basis in the third quarter, according to figures published yesterday.

As well as generating strong profit increases, economic growth has produced a huge flow of cash in Japan (by accumulating export surpluses) some of which finds its way into the stock market. The large flow of money has also helped keep down interest rates.

Our Financial Staff adds: Fanuc, the machine tool controls and robotics producer, yesterday became the latest company to tap the market for funds.

It is to raise Y66.6bn ($547.9m) in a share issue. The 12m shares on offer represent about 5 per cent of Fanuc's expanded capital, and the Y5,550 pricing is a 3.5 per cent discount to yesterday's closing market level of Y5,750, down Y50 on the day.

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UK court throws London Life deal into disarray

By Nick Bunker and Raymond Hughes in London

PLANS FOR a life assurance merger between the UK's London Life and Australian Mutual Provident were plunged into disarray yesterday, when the UK Court of Appeal sided with a policyholder who questioned the validity of the meeting which approved the deal.

Mr Julian Byng, a 60-year-old barrister, started his legal challenge because of outrage at the conduct of London Life's extraordinary general meeting on October 19.

The egm at the Barbican Centre collapsed in turmoil when 800 policyholders tried to squeeze into a 280-seat hall, forcing Mr Oliver Dawson, London Life's president, to adjourn to the Cafe Royal where the merger was approved by a wide margin.

Three appellate judges, led by Sir Nicolas Browne-Wilkinson, the vice-chancellor, yesterday allowed Mr Byng's appeal against an earlier High Court ruling that the adjournment was in order.

They said they would give reasons later.

The Court of Appeal's decision forced London Life's board to convene an emergency meeting yesterday with its solicitor, Mr Herbert Smith, to plan its response, which could involve an appeal to the House of Lords.

Mr Andrew Wakeling, London Life's deputy managing director, said holding another egm was feasible. He insisted that the company would press ahead with its plans.

The judges' decision "does not alter the justification of the merger, or the overwhelming support we received," he added.

A jubilant Mr Byng said he hoped the company would now disclose far more information about what would happen to it after the merger.

Mr Byng said he had known Mr Dawson since they were schoolboys at Eton, and Mr Dawson had always been obstinate. "None of us thought we were taking out policies with an Australian company which according to its own marketing literature invests in cattle farms," Mr Byng said.

"I am not a xenophobe, but it is wrong for an English life company to be under the control of a board in Sydney."

The gist of Mr Byng's arguments were that the London Life egm was invalid because it was held in several different locations, with defective audio-visual links, that Mr Dawson did not have the powers to adjourn it, and that by doing so he disenfranchised people who could not get to the Cafe Royal.

Hanson unveils full-year profits rise to £880m

By Nikki Tait in London

HANSON, the acquisitive UK conglomerate, yesterday unveiled full-year profits of £880m ($1,642m) before tax – an increase of £139m over the previous year and at the upper end of the analysts' expectations.

The announcement was accompanied by news of a rise in the final dividend from 3p to 5p, producing a 55 per cent increase in the total for the year at 6.8p. Cheered by the combined events, Hanson shares gained 5p to 157p.

Hanson said that by the September 30 year-end, its cash resources amounted to £3.8bn and that the net cash position – after deducting borrowings – was over £1bn. However, despite continual speculation in the market, the company remained coy about its acquisitions policy.

"When we judge the time is right, we shall pursue growth by acquisition," said a statement from Lord Hanson, the company's chairman.

Commenting on the company's dividend policy, Mr Matin Taylor, Hanson's vice-chairman, said that the substantial increase reflected Hanson's strong cash flow.

The figures take in profits (for an 11 month period) of over $50m after financing costs from Kidde, the diversified US industrial group, which Hanson acquired for $1.7bn, in late-1987. Hanson says that disposals have now recouped almost 30 per cent of the Kidde purchase price, while asset sales from Kaiser Cement now total more than $282m, exceeding the acquisition cost.

In terms of trading profit, Hanson saw a 15 per cent rise in the UK at £438m on sales marginally ahead at £4.2bn (£4bn). In the US, the figures – including Kidde – were £332m (£202m) and £3.2bn (£2bn) respectively.

Net interest earned plus property and other income, contributed £110m (£114m) and earnings per share, after a 23 per cent tax charge (unchanged), are up from 14p to 15.9p on a fully-diluted basis.

Biotechnology prescription for Monsanto

James Buchan on a chemical group's latest formula for expansion

MR Richard Mahoney has always been crazy about new products. Back in 1968, when he was sales director of Monsanto's plastic products business, he read in the New Yorker magazine about a man in Central Park who was playing tunes by swinging a length of corrugated plastic tubing round his head.

"We owned a plastic hose company which had made the Hula-Hoop and thought it knew a fad when it saw one," says Mr Mahoney, who 20 years later is chairman of Monsanto. "I went round and signed the guy up. The thing, he called it the Freeka, was going to be the next Hula-Hoop."

It was not. The Freeka was a flop, but Mr Mahoney has backed many successful products on his way to becoming chairman of Monsanto, including the big herbicides, Roundup and Lasso. Now 54, and as ferociously enthusiastic as ever, Mr Mahoney is betting the future of Monsanto on new biotechnology products that he says are going to transform agriculture and medicine.

What Wall Street wants to know is this. Is biotechnology *Dick Mahoney's Hula-Hoop* or his Freeka?

Monsanto is not alone in diversifying. Flush with cash from a cyclical boom in basic petrochemical products, the US chemicals industry is in a ferment of capital investment and reorganisation. "Everybody is trying to identify growth platforms for the future," says Mr Michael Eckstut, a leading consultant at Booz, Allen & Hamilton, who specialises in the chemicals industry.

But Monsanto, the fourth-largest US company with $7.64bn in sales last year, has gone further than anybody. "*Monsanto people are vision*aries," says Mr Anantha Raman, who runs a specialised stock research company of the same name. To try to understand genetic engineering, Mr Mahoney recently spent one day a week splicing genes at a bench. "If we can't deliver the products, our strategy just won't work," Mr Mahoney says.

Since becoming president of Monsanto in 1980, Mr Mahoney has:

- Sold or shut down $4bn worth of low-margin business ranging from oil and gas production to basic petrochemicals, from nylons and acrylics in Europe to polyester fibres at home.
- Spent more than $3bn to take Monsanto into pharmaceuticals through heavy spending on research and the acquisition of G.D. Searle.
- Directed tens of millions of dollars in research into plant, animal and human biotechnology.
- Promised Wall Street that he will raise Monsanto's profitability to the levels achieved only by such drug power*houses as Merck*.

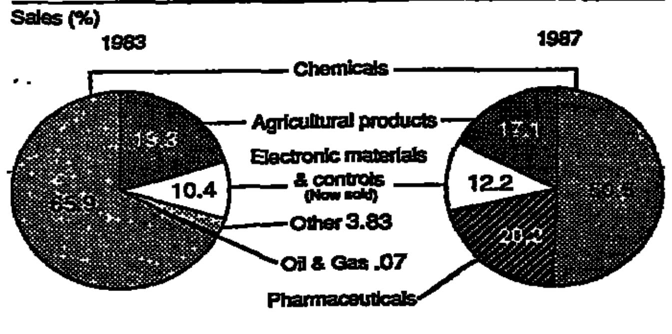
Each step has been controversial. In cutting back Monsanto's historic chemicals and plastics business, Mr Mahoney *withdrew from basic ethylene* and styrene operations which have given their new owners two years of boom profits.

Wall Street says Searle's *$2.7bn cost was too much for a* company without major drugs, a questionable future for its Nutrasweet artificial sweetener and a barrage of product liabil*ity lawsuits*.

Some people doubt Monsanto has the experience or the deep pockets to make a go of biotechnology. And Monsanto is still a long way from earning the 20 per cent return on its shareholders' funds which Mr Mahoney has promised. Last *year, Monsanto earned $436m* or just 11 per cent on its equity.

However, Mr Mahoney can sell strategy as well as plastics.

Monsanto



He has no regrets about getting out of boom-and-bust petrochemicals or businesses, *such as polyester fibre* in the US, where Monsanto was outclassed by the likes of DuPont.

Monsanto's new chemicals and plastics operation, with *$3.8bn in sales and $450m* in operating profits, is concentrated in markets with relatively stable demand or where Monsanto dominates the competition, *as in nylon carpet* fibres, Saflex windshield lamination, detergent materials and some high-performance plastics. A third of the business is *still cyclical and that is quite* enough, Mr Mahoney says.

He also defends the $2.7bn purchase of Searle. "It may not have been a top-tier drug company, but it had hearts and lungs and legs for what we wanted to do," Mr Mahoney says. This was to act as a channel for new *traditional and bio*tech medicines.

For the past three years, Searle's research labs have been absorbing nearly $200m a year in research or a colossal 20 per cent of the company's sales. The first fruit of this research could be Cytotec, an anti-ulcer drug, now up for Federal government approval. "Searle was a mediocre, B2 sort of company, and still is, unless *Cytotec can prove otherwise,*" Mr Raman says.

In the agricultural business, Monsanto is also seeking regulatory authority to introduce *an engineered growth hormone* – bovine somatotropin – which will increase the milk yield of dairy cows by 20 per cent. Mr Mahoney recognises *he will have a hard job market*ing the drug in glutted dairy markets, such as the European Community. "We can get hundreds of millions of dollars in sales if the world is rational, but it won't be," he says. At the moment, he says, the company's marketers are taking BST, as it *is* known, quite slowly.

The big question is whether Monsanto has the money to make good in biotechnology, or *whether it will be daunted by* cost. Earlier this year, Mr Mahoney was forced to abandon an equally ambitious plan to develop silicon chemistry for *the electronics industry*.

Mr Stanley Fidelman, head of research at Merck, challenges the competition in these terms: "The real cost of devel*oping drugs* is getting higher. Chemical companies are going in because they see a golden egg but how long will their boards allow them to remain in the business."

Monsanto has two potential handicaps. Roundup, Lasso and Nutrasweet, which chipped in around half of Monsanto's operating profits last year, have lost or are losing patent protection and will be open to generic competition. Meanwhile, Monsanto faces a liability arising from Searle that could, in an extreme case, wipe out its entire investment in the company.

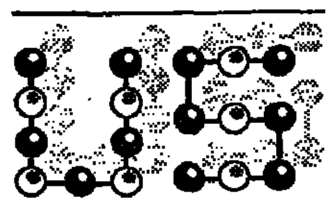
Analysts give Monsanto high marks for putting new life into Lasso and positioning Roundup for its post-patent future with a mixture of price cuts and new formulations.

Monsanto has transformed Calan, an elderly Searle compound, into a $200m a year anti-hypertension drug. Monsanto never wanted Nutrasweet, which goes off-patent in *1992, but it has built up the* sweetener in the soft drinks industry to the extent that it may have gained "brand" status.

*Mr Manuel Pyles, a stockbro*ker at A.G. Edwards in St Louis, says: "By 1991-92, Nutrasweet will be so entrenched in the market and Monsanto's *manufacturing costs* will be so low it will be difficult for another company to compete." Mr Mahoney also hopes for a big market for a follow-on product, a fat substitute called Simplesse.

In September, a jury in St Paul, Minnesota awarded $8.15m damages to a woman who said she had become infertile after using Searle's Copper-7 intra-uterine device. Wall Street was rattled by the judgment because of echoes of the IUD lawsuits which drove the AH Robins drug company into bankruptcy. Analysts say Mr Mahoney did not look close enough at Searle when he bought it. But Mr Mahoney says flatly the Cu-7 is safe and the courts will show it.

Nothing will dim his commitment to biotechnology. "This is going to change the industry," he says. "The emergence of biology in our industry is going to have as profound an effect in the 1990s as petrochemicals in the 1930s."



Chemical industry

This is the first of a series of articles dealing with major developments in the US chemicals industry. Others in the series will be published over the next three weeks.

Northern Telecom plans restructuring

By David Owen in Toronto

NORTHERN Telecom, the world's largest supplier of digital telecommunications systems, is to embark on a far-reaching restructuring programme that will affect about 2,500 *employees* and several plants in Canada and the US.

A fourth-quarter provision of up to US$200m has been approved to cover the restructuring, which is designed to enhance the Mississauga-based company's international competitiveness.

The announcement follows a disappointing third quarter, in which earnings fell nearly 14 per cent from year-earlier levels to US$60.1m. The company *attributed* the downturn at the time to rescheduled deliveries of a number of US switching contracts.

The restructuring, which also involves the streamlining of marketing and sales organisations and the *simplification* of various other operations throughout the company, will affect Northern Telecom facilities in five locations.

These comprise the transmission manufacturing plant at Aylmer, support services operations in Concord, telephone terminals facilities in Nashville, and circuit board manufacturing plants at Belleville and Palm Beach.

The company hopes to be *able to* offer reassignments or transfers to more than 300 of the affected employees.

Mr Edmund Fitzgerald, chairman, projected that the plans "will result in a stronger base to serve the North American market and to develop non-North American markets well into the 1990s."

Inco 'poison pill' rights faces challenge in court

By David Owen in Toronto

CAISSE DE Dépôt et Placement du Quebec, the Montreal-based manager of the province's pension funds and insurance plan contributions, has started legal proceedings against Inco, the world's largest nickel producer, in an attempt to overturn Inco's shareholder rights plan.

The plan – *billed* as Canada's first poison pill – is to be accompanied by a US$1.05bn or US$10 a share extraordinary dividend. Shareholders are to vote whether or not to accept the recapitalisation package at a special meeting in Toronto tomorrow.

The proceedings initiated by Caisse, which holds approximately 3 per cent of Inco's stock, ask the Superior Court of Montreal to declare "the Inco share rights issue scheme" null and to order the company to refrain from any action to pursue the scheme.

Maxicare hopeful of financial solution despite mounting losses

By Roderick Oram in New York

MANAGEMENT of Maxicare Health Plans, a nationwide health care provider, remains hopeful it can negotiate a resolution of its financial problems short of bankruptcy, despite sharply escalating losses and a severe cash shortage.

The Los Angeles-based company has reported a loss for the third quarter ended September 30 of $169.7m, up from a loss of $6.4m a year earlier, *while revenues fell 13* per cent to $401.9m from $464m.

The latest period included a $113m charge for health plans Maxicare dropped or sold and for operations it expects to sell soon. The operating loss was $45.5m, double the expectations on Wall Street.

The loss for the nine months was $250.5m, against a loss of $28.3m, on revenues of $1.35bn, *against $1.37bn. The company*, called a health maintenance organisation, provides health care for its customers for a fixed annual fee.

At quarter-end *it* had free cash on hand of only $3.6m, but faces by the end of the year bank payments of at least $36m. Mr Peter Ratican, chairman, said all parties, including bankers, bond holders, doctors, employees and *regulators*, "are co-operating with us."

Maxicare's board will review a restructuring plan by January which will include renegotiated bank lending agreements. Creditors led by Bankers Trust have agreed to the second renegotiation this year, Mr Ratican said.

Since he took over in August, Mr Ratican has been *pushing ahead with a recovery* plan initiated in the spring. Maxicare has been retreating from unprofitable markets by selling off units. As a result its membership has fallen from 2.3m in 26 states to 1.6m in 17 states. Further unit disposals are expected.

The company is concentrating on profitable states, such as California, Texas and Illinois. *It is increasing* prices by an average of 30 per cent from January 1 for companies employing about 40 per cent of its members. Maxicare pointed out in a Securities & Exchange Commission filing, though, that there was no guarantee corporate renewals would ensure "re-enrollment by individual members."

Acquisitions lift Seagram

By Robert Gibbens in Montreal

SEAGRAM, one of the world's leading spirits and wines producers, lifted net income in the first *nine months of* the year on sharply higher sales, due to the acquisition of Martell, the world's second largest cognac producer, and Tropicana, the US soft drinks group.

The group saw a decline in third-quarter net income, however, because of write-offs of goodwill and interest costs.

Third-quarter net income, including the contribution from DuPont, in which Seagram has a 23 per cent stake, was US$142.4m or $1.46 a share, against $147.1m or $1.53 last time. Sales in the third quarter, however, jumped to $1.3bn, up from $927m.

Nine-month net income rose 17 per cent to$470.4m or $4.91 a share, from $402.4m or $4.2 a year earlier. Sales advanced to $3.5bn from $2.6bn.

WMC pays A$120m for control of nickel mine

By Bruce Jacques in Sydney

WESTERN Mining (WMC), Australia's premier nickel producer, has paid A$120m (US$105.9m) to take full control of the mothballed Agnew nickel mine in Western Australia.

The company announced yesterday it had bought the outstanding 40 per cent interest in the company from MIM Holdings and would move to reopen the mine within six to nine months.

WMC bought its initial 60 per cent stake in the mine in October from BP Australia, in a deal reputed to be worth close to A$200m.

Under the latest deal, MIM will retain an unspecified royalty interest in Agnew production applying for six years at nickel prices above A$5 a lb.

The price will be adjusted for inflation and compares with current nickel prices equivalent to about A$7.50 a lb and a recent high of more than A$12 a lb.

Sir Bruce Watson, MIM chairman, said the sale would yield the company a substantial profit while retaining an interest in Agnew through the royalty agreement without the obligation to fund further investment.

WMC directors said yesterday the deal also included acquisition of a concentrator and associated exploration ventures in the area.

Subject to Western Australian government approval, WMC plans to have Agnew back in operation by the middle of 1989. The operation was closed in August 1986 because of low nickel prices at the time.

WMC said the first Agnew concentrate could be produced in as little as six months.

However, it would probably take a year to restore the complex to its previous production levels of about 10,000 annual tonnes of contained nickel.

This rate of production would boost WMC's output by about 25 per cent. WMC said it was looking at doubling Agnew's output within two years.

The new operation would restore WMC's dwindling nickel output, which is expected to fall below the 40,000 tonnes mark this year after sliding about 7 per cent in the previous year.

Agnew's proven reserves are stated at 1.26m tonnes of ore containing 2.3 per cent nickel with further probable reserves of 18.2m tonnes at the same grade.

This compares with proven reserves of 25m tonnes grading 3.2 per cent nickel at WMC's main Kambalda nickel operations, also in Western Australia.

DSM sell-off to raise Fl 1.3bn

By Laura Raun in Amsterdam

DSM, the Dutch state-owned chemicals company, will be privatised at the end of January in an international equity offering that is expected to raise about Fl 1.3bn. It will be the biggest flotation in the history of the Amsterdam bourse.

About one-third of DSM's shares will be sold at a price that is expected to be about six to seven times earnings, or roughly Fl 110 per share based on earnings forecast for 1988.

DSM yesterday predicted record profits of Fl 600m for the whole year after posting net income of Fl 454m for the first nine months.

Subscriptions for the issue will open on January 24, according to Amsterdam-Rotterdam Bank, lead manager for the international syndicate. Amro officially announced the flotation yesterday following final legislative approval of the deal, although details have leaked out for weeks.

Under Amro's global co-ordination seven regional syndicates will be formed. Deutsche Bank will lead the German group, Générale Bank that for Belgium and Luxembourg, Swiss Bank Corporation the Swiss group, S.G. Warburg the British one, and Shearson Lehman Hutton the rest of the world. In Japan Nomura International and Morgan Stanley will privately place shares.

DSM, which previously was known as Dutch State Mines, is the 16th largest chemicals company in Europe and features a wide product line ranging from specialty chemicals and engineering plastics to commodity chemicals and fertilisers. A novel twist is its oil and gas activities, both on behalf of the state and for its own account.

Roadshows will be held in the Netherlands, Belgium, Germany, Switzerland, France and the UK as institutional investors are targeted abroad and private ones at home.

A major advertising campaign will be launched on Tuesday using international and Dutch newspapers and orchestrated by Valin Pollen Thomas & Kleyn, the UK-based advertising agency, and Michael Jarvis & Partners, the international media specialists.

Oddly enough, the Dutch Government is passing up the opportunity to try and widen the Netherlands' limited share ownership through the privatisation. Only 11 per cent of Dutch families own shares, about one-third the level in the UK, and the centro-right government has made privatisation a key policy.

However, state holdings are few and small and disposals have been used to help balance the country's yawning budget deficit rather than promoting "people's capitalism."

"Jan Modal," the Netherlands' answer to British Gas' Sid, will be offered the chance to buy DSM shares but he won't be actively courted.

In the first nine months DSM's net income jumped 27 per cent from the year-earlier level of Fl 357m while turnover rose 12 per cent to Fl 7.4bn from Fl 6.6bn.

DSM confirmed that it will pay The Hague a one-off dividend of Fl 350m at the time of privatisation in addition to a Fl 168m dividend for the year 1988.

Prospect of WestLB-Helaba merger dims

By Andrew Fisher in Frankfurt

THE CHANCES of the proposed merger between Westdeutsche Landesbank (WestLB) and Hessische Landesbank (Helaba) taking place to form West Germany's second largest bank appeared to recede last night as WestLB made it clear that it would pursue its own strategy after the interruption of discussions while Helaba's ownership structure was being changed.

It was announced on Tuesday that merger discussions would be stopped while the state of Hesse transferred its half share in Helaba to the state savings bank association, which owns the other half. The state government said it needed its funds to help finance its budget and did not want to commit money to the creation of a large bank.

WestLB said last night in a cautiously worded statement that its owners, the state of North Rhine-Westphalia and the state savings body, saw it as their duty to the bank and its employees to guarantee its freedom to act and to provide a stronger basis for the pursual of its strategy aimed at building up its presence in Europe. However, officials said the door was still open to a possible merger with Helaba.

Part of WestLB's strategy will also involve a DM1.5bn ($847m) increase in capital, though the owners did not decide on this at their meeting yesterday in Düsseldorf. Privately, several bankers in both Frankfurt, where Helaba is based, and Düsseldorf, said the delays and problems caused through the change of ownership at the Hesse bank would either end all chance of a merger or at least make it much less likely.

WestLB, the fourth largest bank in Germany, is twice as big as Helaba, but the Hesse savings association said when announcing its readiness to take over the state's share of Helaba that it could only accept a merger on the basis of a partnership. The banks have combined assets of DM 227bn ($128bn).

● Bayerische Vereinsbank said it was planning to increase its nominal capital to DM648m from DM576m via a one-for-eight rights issue priced at DM275.

The share closed down DM2 at DM363 marks on the Frankfurt bourse yesterday. At the issue price of DM275 marks per DM50 nominal share, the issue will raise DM396m.

● Hoechst AG's Hoechst Celanese Corp subsidiary said it will invest $200m expanding polyester staple fiber capacity by 100m lbs, restructuring its partially oriented polyester yarn business and consolidating polyester yarn production.

Under the restructuring, polyester yarn manufacturing will be consolidated at Hoechst Celanese's plant at Shelby, North Carolina.

The Spartanburg, South Carolina, plant's 118m lbs of polyester yarn manufacturing capacity will be phased out of production by the end of 1989, the company said.

Ferruzzi in Standa pay-back

By Alan Friedman in Milan

MR RAUL Gardini's Ferruzzi-Montedison group has reimbursed L40bn ($31m) to Mr Silvio Berlusconi's Fininvest concern because a study by accountants has ruled that the valuation of the Standa retail chain, sold by Mr Gardini to Mr Berlusconi in the summer, was excessive.

The total purchase price paid by Mr Berlusconi for Standa plus property holdings came to L969bn.

Mr Vittorio Dotti, a lawyer representing Mr Berlusconi, was quoted yesterday saying that the television magnate believes he is owed a further L20bn to L25bn by Mr Gardini.

At Ferruzzi-Montedison headquarters in Milan a spokesman for Mr Gardini said this additional sum was "under discussion."

The price paid last summer for Standa by Mr Berlusconi was in any case significantly higher than the market value of the publicly quoted retail group.

Mr Berlusconi bought 70 per cent of Standa from Mr Gardini, paying an average price of about L37,000 per share. The price of Standa shares on the Milan bourse yesterday stood at L18,290.

Italy does not have any legislation requiring a full-scale public takeover offer in cases such as this and the Standa deal has been cited by critics as an example where the interests of minority shareholders have not been looked after.

ZCCM makes profit despite fall in output

By Nicholas Woodsworth in Lusaka

ZAMBIA CONSOLIDATED Copper Mines (ZCCM) achieved net profits of US$8m for the quarter to September, compared with a net loss of $26.6m, in a turnround which reflected higher copper prices.

This was despite a drop in copper output from 125,000 tonnes to 106,000 tonnes. Revenue rose 19 per cent to $392.8m.

A deterioration in mine and machine maintainance, a shortage of foreign exchange for spare parts, and a loss of technical expertise due to a ZCCM "Zambianisation" programme for its staff contributed to the reduced output.

Cobalt production was up 43 per cent in the quarter, at 1,291 tonnes.

Despite attempts to raise copper output, analysts expect production problems to limit it to about 400,000 tonnes.

ISS buys US building services group

By Hilary Barnes in Copenhagen

THE US subsidiary of ISS, Denmark's building maintenance and security systems group, is set to become the biggest office cleaning group in the US by acquiring the service contracts and operational activities of ADT, a New York-listed services group, for $69m.

The ADT business will lift turnover of ISS Inc, the US unit, by about $200m to $440m and add 26,000 employees to a payroll of about 18,000. This will take the global payroll for ISS to around 115,000 and turnover next year to about DKr9bn ($1.35bn), said Mr Poul Andreassen, ISS' chief executive. The ADT business is the group's third important acquisition in the US this year after taking over companies in California and Philadelphia in June.

ADT is market leader in building maintenance in the southern states, said ISS yesterday, and also has operations in several north-eastern and mid-American states.

Givaudan move on takeover

By John Wicks in Zurich

L.GIVAUDAN, the Geneva-based producer of flavours and fragrances, has signed a letter of intent with Riedel-De Haen, the West German chemical company, to take over its Dortmund subsidiary Riedel-Arom.

This is a manufacturer of flavours and colouring agents for the food industry, its 1988 sales of about DM35m being accounted for mainly by the domestic market.

Givaudan, whose turnover of almost SFr700m makes it one of the world's leading companies in this sector, intends to take over Riedel-Arom personnel and build a new plant in Dortmund.

Givaudan, which sees the takeover as improving its marketing capability within the European Community, is – together with the French fragrances company Roure – owned by the Hoffmann-La Roche group of Basle.

Riedel-de Haen is controlled by Hoechst, the West German chemical group.

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INTL COMPANIES AND FINANCE

Elders' grain division brings home the harvest

Deborah Hargreaves on a well-timed expansion

WHEN Elders Futures decided to set up a grain division at the Chicago Board of Trade in January, the Australian-owned company had little idea of the tumultuous reception the grain markets had in store for it.

Banking on a more volatile market in grains as government stocks had run down, Mr Gene Donney, president of Elders Futures, decided towards the end of last year to focus more on that market.

The new division was thrown straight into the greatest bull market the grains had seen for years. "We were fortunate to foresee the upturn in the market, and the division has done well thus far," he says.

Elders is intent on building its grain team into a strong institutional force. As the grains were calming down into the US harvest period – a traditionally quiet time for the commodity markets – it announced it would expand its division to 17 members.

Several former traders from Drexel Burnham Lambert joined the operation headed by Mr Louie Ai on the CBOT floor, while Elders added a post at the Kansas City Board of Trade to concentrate on the wheat market. The expansion reflects the firm's belief that grains will remain volatile, Mr Donney says.

While the brokerage community in general is contracting, grains offer a bright spot of opportunity and Elders is representative of a new breed of small, entrepreneurial operations that are pitching themselves at the institutional business coming into the CBOT's grain markets. "We can provide basic research for customers and direct access to the floor," says Mr Steve Gunning, who has been trading wheat at the CBOT for more than 20 years.

The research back-up and floor access was traditionally the province of big market players such as Cargill, with very little between them and the small-scale locals – individuals who trade for their own account. However, Elders is trying to attract commercial users of the market who relish a more personal touch.

This year's bull market in grains has seen a lot of fund money and institutional players returning to the CBOT market for the first time in five years. In addition, the grains are dominated by larger orders. This makes it easier to trade a lot of volume, but more difficult for individual traders to make their money.

Mr Dennis Schmidt, analyst at Elders Grain, who also joined the company from Drexel, sees enough movement in the market to propel the grains into another active year in 1989. "We haven't seen much forward pricing this fall as people paid too high in early summer and are waiting for the price to fall," he believes. "That's the business that will take us through the winter."

ELDERS GRAIN is to move its head office to Kansas City from Melbourne next month to keep closer contact with US operations, Reuter reports from Melbourne.

The company ranks itself as the 10th largest grain operator in the US, with silos in six states storing more than 1.1m tonnes of wheat. About 70 per cent of the division's total business is in the US and Canada.

Elders Grain said the move reflected the company's role in global grain accumulation and trading.

Elders is attracting a lot of its business from the Asian basin, where its Elders IXL parent company is well known and where Mr Ai has many contacts. The change in government attitudes towards agriculture in Asia was one of the factors prompting the company to set up the grain division in the first place, says Mr Ai. He cites Taiwan as an example of a country that has moved away from a government-fixed price for grain products.

The grain division sees many opportunities for gaining overseas business amid the liberalisation in world agricultural trade and the increased needs for grain by centrally planned economies.

Indeed, purchases from the Soviet Union have kept a lot of strength in the futures market this autumn. The US Department of Agriculture estimates Moscow will buy 17m tonnes of grain in the 1988-89 marketing year, the highest level since 1984-85.

The increase in export sales, accompanied by lower US grain stocks, and a more flexible farm programme for next year will keep a measure of volatility in futures, Elders believes. This volatility has prompted a huge upturn in the use of agricultural options contracts, the first wave of really sustained interest in these products.

The rise in activity in options was spurred by speculative and commercial interest, says Mr Wayne Parman of the Elders grain team. "We have not seen farmers flock to options in droves."

As US grain stocks remain low and the success of the Latin American maize and soyabean crops is still unclear this winter, Elders believes options business will continue to pick up. Purchasing managers just need to get over their psychological fear of options to see how they work and then they start to use them in a much more sophisticated way, explains Mr Parman.

Options are coming into their own in a changed market environment. Mr Gunning points out that much volume in agricultural futures is now concentrated in the first two months of a contract. This has happened since changes in the US tax law made it more costly for market players to buy into deferred contracts.

The situation makes it difficult for farmers and other hedgers who, for example, want to protect the value of their 1989 crop this year. The lower liquidity in next year's futures contracts can make it difficult for them to offset their risk, he believes. This has added to farmers' typical wariness of the futures markets.

Elders' grain team sees itself growing through the winter as it continues to attract more business. "We have no specific target for growth, but we'd like to attract the best people in the industry," declares Mr Gunning.

INTL. APPOINTMENTS

Exxon chief to head Citibank's Japanese banking division

In a move seen as an indication of Citibank's drive to gain a bigger share of Japan's consumer financing market, the US bank has appointed an Exxon Corporation executive to head its Japanese retail banking division.

Mr Masamoto Yashiro, 59, is retiring as president of Esso Sekiyu, as planned, on January 1, a post he has held since February 1986.

Mr Yashiro is among the most prominent leaders of major foreign subsidiaries in Japan. He is also a director of Keidanren, a powerful federation of Japanese economic groups, and has served on many government commissions.

Citibank has been striving to establish a retail presence in Japan since May 1985. It has seven retail branches in five Japanese cities.

Two years ago, the US bank tried to buy a troubled mutual, or sogo, bank, but was preempted by Sumitomo Bank. Earlier this year, Citibank submitted a plan to the Ministry of Posts and Telecommunications to allow the nation's vast postal savings system to use its international payments-transfer network.

Mr Yashiro will be replaced at Esso Sekiyu byexecutive vice president Lowell Kerns Strohl,51.

Mr Strohl joined Esso Research and Engineering in florham park, new jersey, in 1961 and served as president of Exxon Enterprises in New York before being named as executive vice president of Esso Sekiyu last February.

Brierley chief to head National Provident

Mr Paul Collins, chief executive of Brierley Investments, has been appointed chairman of New Zealand's National Provident Fund.

Mr Collins said his new position would not lead to a conflict of interest, despite the fact that both Brierley Investments and a National Provident subsidiary have submitted competing bids to buy Air New Zealand, the international airline which the government is selling as part of a state-asset sales program.

National Provident has been the traditional vehicle for pension schemes for government staff. Until a year ago it was administered by the Treasury, but the governmenthas decided to transfer control to its contributors and make it a company limited by guarantee.

National Provident has total assets of about NZ$3bn and annual net revenue of NZ$400m.

★ ★ ★

HELENE Curtis, the US-based personal care products group with international brand names such as Suave, Finesse, Salon Selectives and Quantum, has made Mr Colin J. Morgan a corporate vice president.

After joining the group in 1986, Mr Morgan was appointed president, international division, the next year, a post he will continue to hold. He is in charge of the group's operations outside the US in over 60 countries.

He has spent 25 years in the personal care industry, including holding various management positions at Revlon.

Siemens US controller becomes finance director

SIEMENS, the West German electronics and telecommunications group, has appointed Mr Goetz Steinhardt finance and administration director to succeed Mr Henning Würdemann, who is retiring.

Mr Steinhardt, an economist, has held several management positions in West Germany, Hong Kong and Australia. Most recently he worked in the US as controller of Siemens Energy & Automation in Atlanta, Georgia.

★ ★ ★

Apple Computer's chief financial officer and vice president for finance will be stepping down for health and personal considerations.

Ms Deborah Coleman will take a five-month leave of absence beginning in February 1989 and will return to Apple in July 1989 as vice president for tax and treasury.

★ ★ ★

GOODYEAR Tire and Rubber Co has announced that president Tom Barrett will assume the additional post of chief executive officer on January 1.

He succeeds Robert Mercer, who will continue as chairman until he retires in March. In the past, retiring Goodyear Tire chairmen have remained as directors.

★ ★ ★

GTE Corp has named Charles Lee president and chief operating officer, taking over from James Johnson who was elected chairman and chief executive last April.

Mr Lee, 48, joined GTE in 1983 as chief financial officer and became senior vice president for finance and planning in March 1986.

GTE said Mr Lee will be responsible for the day-to-day operations of its three core businesses – telecommunications, lighting and precision materials.

Amatil shows modest rise in net profits

By Our Financial Staff

AMATIL, the Australian food, beverages and cigarette producer, which is 41 per cent owned by BAT Industries of the UK, showed a modest 4 per cent rise in net profits for its year to October to reach A$88.7m (US$78.3m).

Sales rose 4.8 per cent to A$2.19bn. Directors said reduced tobacco profits largely offset growth from other areas. Steps taken to lift tobacco earnings were showing results towards the end of the period and Amatil expects the performance there to improve.

Pre-tax profits were barely higher at A$146.7m compared with A$144.8m. The result came in spite of lower charges for depreciation (A$30.9m against A$49.6m) and interest (A$28.0m, down from A$33.7m).

The net profits figure – 67.0 cents on a per-share basis, compared with 64.4 cents – excluded extraordinary gains which were down in the latest year at A$30.9m against A$49.6m.

Amatil lifted its final dividend, fully franked for Australian tax purposes, to 14 cents a share from 13 cents. This brings the year's total payout to 27 cents against 24.4 cents. As an alternative it is offering an unfranked final distribution of 17 cents for an annual total of 30 cents.

INTERNATIONAL CAPITAL MARKETS

Dollar issues fall back in line with US decline

By Dominique Jackson

ONLY A handful of fundamentally retail-oriented issues emerged in the primary Eurobond market yesterday. Secondary market volume was also low as dollar-denominated bonds eased slightly as US Treasury securities fell back following Tuesday's strong gains on hopes that prospective Soviet troop cuts could translate into an improved US deficit.

No new dollar straight bonds emerged but a single issue appeared in each of the Canadian, Australian and New Zealand dollar sectors.

Hambros was the lead manager on a NZ$60m deal for a unit of Anglo-Dutch consumer goods giant Unilever – an ideal name to bring to the sector in which investors from the Benelux countries play a major role. Demand was also seen from Swiss and German accounts with unusually large first-day sales seen for a New Zealand dollar issue, according to the lead manager.

The sector has seen renewed demand since last week's Crédit Lyonnais deal and while some of the money coming into the sector is reportedly re-investment of funds from deals coming up to maturity, a fair amount of switching out of the Australian dollar sector has been detected.

The Australian dollar market itself is now looking extremely full, following the three deals seen on Tuesday. This was expected to affect the reception of Bayerische Vereinsbank's A$50m issue for

INTERNATIONAL BONDS

Dutch chemical company Akzo, even though the borrower has an extremely high profile among traditional sector investors.

The Canadian dollar deal emerged via UBS for a unit of French electronics group Thomson, one of the leading companies in its field internationally. The C$75m deal has a two-year two-month maturity and carries an 11¼ per cent coupon. It came at an initial yield margin of 42 basis points over comparable government securities and was aimed at retail accounts in Germany and the Benelux whose appetite for the currency continues.

● Credit Suisse First Boston brought two UK companies to the international capital markets with issues of convertible preference shares to finance US acquisitions. These are first issues since the early summer of convertible preference shares. They have proved to be the ideal instrument for UK companies in need of cash for acquisitions who are unwilling to increase their gearing but are virtually prevented by current torpid market conditions from making substantial issues of new ordinary shares. Convertible preference shares do not affect the ordinary shareholder in this way but still count as equity for balance sheet purposes.

The larger £80m issue was for health care products group Smith & Nephew to finance its $236m acquisition of US intra-ocular lens producer Ioptex.

The other deal was for Scottish textiles company, Dawson International, best known for its luxury knitwear, to finance its $140m purchase of the US knitting operations of leading textiles group Reeves Brothers. The issue of convertible preference shares, by way of a vendor placing, just as the Smith & Nephew deal, will account for approximately £28m of the purchase price, the balance afforded by a medium term US dollar loan facility and from the group's own resources.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
CANADIAN DOLLARS						
Thomson Brandt Int.◆	75	11¼	101½	1991	1⅛/⅝	UBS (Secs)
AUSTRALIAN DOLLARS						
Akzo◆	50	14⅜	101⅞	1992	1½/1	Bayerische Vereinsbank
NEW ZEALAND DOLLARS						
Unilever Capital Corp.◆	60	14	101⅞	1992	1½/1	Hambros Bank
US DOLLARS						
Final terms fixed on:						
Nippon Zeon Co.(a)♦◆	100	4½	100	1992	2¼/1½	Nomura Int.
STERLING						
Smith & Nephew Fin.(b)	80	(8¾-9)	100	2004	2½/1½	CSFB
Dawson Finance(b)	28	(9¼-9½)	100	2004	2½/1½	CSFB

♦With equity warrants. ◆Final terms. a) Cut by ¼% from indicated coupon. b) Convertible preference shares.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 7

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93⅞	94⅛	+0⅛	+0¼	9.80
Amer. Brands 8⅞ 92	150	*†95¼	95¼	0	+0¼	10.48
A/S Eksportfinans 7¼ 92	150	93⅜	93¾	+0¼	+0⅛	9.69
Barc. Bk. Fin. 10¼ 89	200	*†100⅞	100⅞	0	+0¼	9.29
B.F.C.E. 7 92	150	92⅜	92⅞	0	−0⅛	9.68
Brit. Tel. Fin. 9⅜ 98	250	98⅜	98⅞	+0⅛	+3⅛	9.59
Cal.Natl.Telecom 8½ 93	160	*†96	96	0	+0½	9.68
Canada 9 96	1000	98½	99	+0⅛	+0⅛	9.23
Canadian Pac 10⅞ 93	100	†100½	102½	0	0	10.34
C.C.C.E. 9¼ 95	300	98⅛	98⅝	+0¼	0	9.59
C.N.C.A. 9⅞ 93	150	99¼	99⅞	+0¼	0	6.52
Credit Lyonnais 9 97	200	†99⅛	99⅞	0	+0⅞	9.15
Credit National 8¾ 93	200	95¼	95½	+0¼	+0¼	9.61
Credit National 7⅞ 92	100	93¾	94¼	+0¼	+0½	9.50
Credit National 7¼ 91	150	†93⅞	94⅛	0	+0⅛	9.57
Dai-Ichi Kan 9⅜ 92	150	99½	100	0	−0⅛	9.68
Denmark 7¼ 92	500	93¼	93½	+0¼	+0⅛	9.62
E.E.C. 7 91	100	93⅝	94⅛	+0⅛	0	9.45
E.E.C. 7¼ 93	250	92⅜	92⅞	+0¼	+0¼	9.42
E.E.C. 8 98	350	97¾	98⅛	+0¼	+0¼	9.32
E.I.B. 7⅛ 93	100	92¼	92⅝	+0⅛	−0⅛	9.60
E.I.B. 9⅜ 97	150	98¼	98¾	0	−0⅛	9.62
Elec.De France 9 98	200	95⅛	95⅝	−0¼	−0⅛	9.74
Finland 7⅞ 97	200	90½	91	+1¼	+0⅞	9.55
Finland 7½ 93	200	92¼	92¾	+0⅛	+0¼	9.51
Fion.Exp.Cd. 8½ 92	200	96⅝	97⅛	+0¼	0	9.63
Ford Motor Credit 8 91	250	†96⅝	97⅛	+0⅛	+0¼	9.54
Gen Elec Credit 10¼ 08	200	†100	100½	0	+0¼	10.19
Gen.Mtrs.Corp. 9¼ 92	200	†98¾	99¼	+0½	+0⅝	9.43
Halifax BS 9½ 93	200	†99¼	99¾	+0⅝	+0½	9.61
IBM Credit Corp. 8⅞ 91	250	98½	99	−0⅛	+0¼	9.37
Italy 9 90	1000	†99¼	99¾	0	0	9.27
Lib. Mutual Cap. 9⅛ 93	150	†99	99½	+0¼	+1⅛	9.31
L.T.C.B of Japan 8 91	100	96	96½	+0¼	0	9.67
L.T.C.B. of Japan 8 97	200	90⅜	91	+0⅛	+0¼	9.72
Mercds-Benz Cd. 8½ 95	100	*†95	95	0	+0½	9.59
Metropolis Tokyo 9½ 93	200	100¼	100⅝	+0⅛	+0⅝	9.34
Morgan Guaranty Tst. 7 90	150	†96¾	97¼	+0¼	+0¼	9.58
Nippon Tel.&Tel. 9⅜ 98	250	99	99½	+1	+1¼	9.49
Norway 8¼ 93	500	97¼	97¾	+0⅞	0	9.43
Portugal 8¼ 91	300	†97	97½	+0¼	+0½	9.60
Prudential Crp. 8⅞ 94	125	†97⅞	97⅞	+0⅝	+0⅝	9.29
Qantas Airways 10⅛ 95	140	103½	104¼	+0⅞	+0⅝	9.56
Rep. of Italy 9½ 95	1000	99⅝	100⅛	+0½	+0¼	9.52
Saskatchewan 10⅛ 92	100	103⅛	103⅝	+0¼	0	9.41
State Bk S Aust 9⅛ 93	100	98⅛	98⅝	+0¼	+0¼	9.68
Sumitomo Bank 9⅝ 92	150	99⅝	100⅛	0	−0⅛	9.60
Swed Exp Cred 7⅛ 91	100	†93⅞	94⅜	+0⅞	0	9.57
Swed Exp Cred 10 92	100	*†100⅝	100⅝	0	+0¼	9.69
Sweden 7 91	250	94	94½	+0¼	+0⅞	9.39
Sweden 7 92	250	†93¼	93¾	+0¼	+0¼	9.44
Sweden 8¼ 96	200	96½	97	+1	+0¼	9.39
Sweden 8½ 92	200	†98	98½	+0⅞	+0⅝	9.05
Victorian Rep 11⅛ 92	150	105⅜	105⅞	+0⅞	+0¼	9.60
World Bank 7 92	300	†93¼	93⅝	+0⅛	−0⅛	9.52
World Bank 9 97	300	96½	97	−0⅛	−0⅛	9.55
Yasuda Trust Fin 8½ 93	100	†95⅞	96½	+0⅞	+0⅞	9.56

Average price change... On day +0¼ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102½	102⅞	−0⅛	+0⅛	4.68
Belgium 4⅝ 94	45	98⅝	98⅞	−0⅛	+0⅛	4.88
Canada 4⅜ 92	80	99⅛	99⅜	−0⅛	+0⅛	4.60
Elec. De France 5⅛ 94	20	101¼	101⅜	−0⅛	+0¼	4.79
Ireland 5⅛ 93	30	100⅝	100⅞	0	+0⅝	4.95
Norway 5⅛ 95	50	101⅜	101⅝	−0⅞	+0¼	4.84
Rep. of Italy 5⅜ 92	150	103⅛	103⅝	0	+0¼	4.54
Sweden 4⅝ 93	50	99½	99¾	−0⅛	+0¼	4.71
World Bank 5½ 92	50	103⅛	103⅜	−0⅛	+0⅛	4.54

Average price change... On day −0⅛ on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10¼ 93 £	50	97⅜	98	0	+0¼	10.97
Alg. Bk. Ned. 5½ 92 FL	150	98⅞	99⅜	+0⅛	+0⅛	5.80
Alg. Bk. Ned. 5¼ 93 FL	200	98⅝	99⅛	0	−0⅛	6.05
Amro Bank 6¼ 92 FL	150	101½	102⅛	+0¼	+0⅝	5.66
Aust.Ind.Dev. 12⅞ 93AS	100	96⅛	96½	−0⅛	−0⅝	13.97
Barc. Bk. 10¼ 97 £	250	94½	94⅞	0	+0¼	11.23
Barclays Aus.13½ 91 AS	100	99⅜	99⅞	0	−0¼	13.62
BP Capital 9¾ 93 £	100	94⅜	95¼	+0⅛	+0¼	11.23
British Airways 10 98 £	100	92	92½	0	+0⅛	11.38
Buhrmann-Tet. 6⅜ 93 FL	100	100⅜	100⅞	+0⅛	0	6.20
Comm.Bk.Aust. 12⅝ 93AS	100	96½	97	0	0	13.47
Coop.Ctr.Rabo.6¼ 93 FL	100	100⅛	100⅝	−0⅛	−0⅛	6.14
Coop.Ctr.Rabo.6 92 FL	200	100⅛	100½	−0⅛	−0⅛	5.87
Denmark 7¾ 92 ECU	100	†102⅞	103¼	0	0	6.64
Dixons 11 95 £	90	†95½	96	+0⅛	−0⅛	11.82
Deut.Bk.Aust.12⅞ 95 AS	70	99½	100⅛	0	+0¼	12.77
Eastman Kodak 13 90 AS	100	96⅝	97⅛	−0⅛	−0⅛	15.07
E.I.B. 7 96 LFr	100	†98¼	99¼	0	0	7.22
Elec.France 10¼ 95 CS	125	†99	99½	−0¼	0	10.39
Euratom 7⅜ 97 ECU	145	†95⅝	96⅛	+0⅛	−0⅞	8.06
Fed.Bus.Dv.Bk.9¼ 92 CS	75	†96⅞	97⅜	−0¼	−0⅛	10.74
Ford Cr.Can.10⅛ 93 CS	100	†99⅝	100⅛	−0⅛	−0⅛	10.76
Gillette Can. 9⅝ 93 £	70	92⅛	92⅞	−0⅛	+0⅛	11.76
G.M.A.C. 9⅞ 93 CS	150	†96¼	96⅜	−0¼	−0¼	10.75
G.M.A.C Aus.Fin.14 90 AS	50	100	100½	0	+0⅝	13.66
Halifax BS 10⅜ 97 £	100	95	95⅜	0	+0¼	11.29
Imp Chem Inds 10 03 £	100	94	94½	0	0	10.79
Inv.Industry Int.10 93 £	60	95⅛	95⅝	0	+0⅛	11.37
Lloyds Bank 10¼ 98 £	150	93⅛	93⅝	+0⅛	+0⅛	11.43
Montreal Tst. 10⅞ 93 CS	100	†98¾	99¼	−0⅛	−0⅛	11.00
Nat. West.Bk.13⅛ 92 AS	50	†99⅜	99⅞	−0⅛	−0⅛	13.24
Nationwide BS 10⅛ 93 £	75	95⅜	95⅞	+0⅛	+0½	11.42
Ned. Midd.Bank 6 92 FL	150	100¼	100¾	+0¼	+0¼	5.82
New Zealand 9½ 93 £	100	93⅜	94⅜	+0¼	+0¼	11.27
New Zealand 7¼ 93 ECU	200	†100⅝	101⅛	+0¼	+0⅛	7.49
Oesters.Kiibk.13⅝ 94 AS	75	100⅝	101⅛	−0⅞	−0⅛	13.35
Phillips Gloeil. 6 93 FL	300	100⅛	100⅝	0	−0⅛	5.86
Prudential Fin.9⅜ 07 £	150	†88¾	89¼	0	−0⅛	10.75
Royal Bk.Scot.10⅝ 98 £	125	95	95½	+0⅛	+0⅝	11.51
Saskatchewan 9⅞ 91 CS	150	†98	98½	−0⅛	+0¼	10.62
Saskatchewan 10¼ 93	200	98⅜	98⅞	0	+0⅛	10.61
S.D.R. 7¼ 95 ECU	90	*†99⅞	99⅞	0	−0¼	7.82
World Bank 5⅜ 92 FL	100	99⅝	100	−0⅛	−0¼	5.86
World Bank 13⅜ 92 AS	100	†99½	100	0	−0½	13.39
Zentrapk. 13¼ 93 AS	75	98½	99⅛	0	+0⅛	13.58

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101⅞	102⅜	0	−0½	5.55
Avis Fin.SVS 5⅞ 92	100	101	101½	−0¼	0	5.43
Bank of Tokyo 5⅛ 93	100	100⅞	101⅜	+0⅛	+0⅜	5.44
Central BK. Turkey 7 92	200	103⅞	104⅜	+0⅛	−0⅞	5.76
Commerzbank o/s. 5⅜ 93	300	100⅝	101¼	0	−0¼	5.09
Degussa Int. 6⅛ 97	200	101⅞	102⅝	+0½	+1⅝	5.78
E.I.B 5½ 98	150	95⅝	96¼	+0⅛	+0¼	6.08
E.I.B 6 97	300	99¼	99⅞	0	−0¼	6.08
E.I.B. 6⅛ 96	300	100⅝	101¼	+0¼	+0¼	5.95
E.I.B. 6⅛ 97	400	100⅛	100¾	0	+0⅞	6.06
E.I.B. 6⅞ 95	300	104⅞	105⅜	0	+0⅛	5.97
Euro.Coal& Steel 5⅞ 97	175	98½	99⅛	+0¼	+0⅛	6.05
Eurofima 6¼ 96	100	101⅝	102⅛	+0⅛	+0⅝	5.95
Elec De France 5¼ 97	300	98⅝	99⅝	−0⅛	+0⅛	5.90
Forsmark Krtg. 5⅛ 93	200	98¼	99	+0⅛	+0¼	5.49
I.A.D.B. 6 97	200	99⅛	99⅜	−0⅛	−0¼	6.09
Japan Dev. Bk. 5⅜ 95	300	98⅜	99⅛	0	+0⅛	5.61
Japan Finance 5¾ 97	100	97⅝	98¼	+0⅛	+0⅞	6.08
Ireland 6½ 97	300	101	101½	0	+0½	6.30
Malaysia 6¼ 94	150	100⅛	100⅞	+0½	+1¼	6.13
Nat. West BK. PLC 6 98	300	97⅛	98⅛	0	0	6.32
N.H.L. Finance 6¼ 95	200	†98½	99	0	0	6.48
Nippon Telg.&Tel. 6 95	400	101½	102⅛	0	+0¼	5.97
Oesters. Kontbk. 5 93	300	98⅜	99	0	−0⅛	5.34
Portugal 5¼ 92	150	101⅛	101⅝	0	0	5.28
Portugal 6⅜ 95	150	102⅝	103⅛	+0¼	+0¼	6.06
Privatbanken 5⅛ 93	150	98½	99¼	0	+0⅜	5.55
Royal Insurance 5½ 92	300	101¼	101¾	+0½	+0¼	4.99
Soc Cent Nuclear 7¼ 95	150	103⅞	104⅛	−0¼	−0½	6.52
Turkey 6½ 95	500	97⅞	98⅛	0	+0⅛	6.93
Westlb. Finance 5 93	200	†99	99⅛	0	0	5.23
World BK. 6¼ 97	600	100⅞	101⅜	0	+0¼	6.00

Average price change... On day +0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†100¾	101	0	−0½	4.86
Asfinag 5 03	100	†100⅛	101½	0	−0⅝	4.90
B.F.C.E. 4½ 98	200	†98½	99	0	0	4.66
B.M.W.Fin.Neth. 5 13	150	†96½	96⅞	0	+0¼	5.25
Britannia B/S. 4⅛ 94	100	†97	97⅞	+0⅛	0	4.80
CIR. Int. W/W 3 93	125	†97	98	0	−2⅜	3.59
Credit Lyonnais 4⅞ 00	100	†97½	98	−0⅛	0	5.01
E.I.B 4⅝ 98	150	†99	99½	−0¼	−0¼	4.72
Fletcher Chall. 4⅞ 98	150	†97½	97¾	+1	+1	5.20
Kobe City 4⅝ 98	150	†98¼	98¾	+0⅛	+0⅛	4.82
Leeds Perm. B/S. 4⅛ 93	200	†97½	98	0	+0⅛	4.70
Malaysia 5¼ 98	100	†97⅞	98	−0½	−0⅞	5.54
Maxwell Comm.Crp. 5 95	150	†100⅜	101	+0⅛	+0¼	4.84
Nationwide Ang.B/S. 4 93	200	†96¼	97	0	+0⅛	4.78
Nippon Telg.&Tel.4¼ 95	200	†98¼	98½	−0½	−0½	4.53
Oesters.Ktbk. 5 03	75	†99½	100¼	−0⅛	−0⅛	4.98
Rep.National Bk. 4 93	150	†95	97½	0	−1	4.44
Thailand 4⅝ 95	200	†95¾	96¼	0	−0⅛	5.36
World Bank 5 03	150	†101¼	101½	+0¼	+0⅛	4.86

Average price change... On day +0 on week −0¼

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.67	99.72	21/01	10.99
Belgium 91 US	0	100.13	100.23	21/02	9
Britannia 5 93 £	0⅛	99.91	99.96	10/01	12.12
Chase Manhattan Crp.91 US	0⅛	99.50	99.67	22/02	8.94
Citicorp 98 US	†0¼	97.40	97.65	30/11	8.94
Credit Foncier 98 US	.063	99.62	99.72	20/10	5¼
EEC 3 92 DM	†0	101.08	101.18	22/02	5.63
Halifax BS 94 £	.1	99.84	99.89	8/02	12.29
Invt. In Industry 94 £	0	99.95	100.05	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.01	100.06	13/01	10.44
Midland Bank 01 £	.1	96.25	97.12	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	99.95	100.00	30/12	12.06
New Zealand 5 97 £	.07	100.08	100.16	20/02	12.16
New Zealand 5 01 US	0	99.79	99.89	4/02	8.62
State Bk. Nsw. 98 US	.188	100.30	100.40	13/02	8.87
Woolwich Equit.BS. 93 £	0⅛	99.90	99.95	13/01	12.12
Woolwich 5 95 £	0⅛	99.77	99.82	21/02	12.37

Average price change... On day +0.01 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	102	103	+0⅛	19.91
Amer. Brands 7⅛ 02 US	9/87	56.7	106¼	107¼	−0⅛	6.22
Ashikaga Bank 2⅛ 02 US	4/87	967.	151⅝	152⅝	+0⅛	10.79
Asics 5 92 DM	12/83	472.7	219½	220⅞	+4	5.03
CBS. Inc. 5 02 US	4/87	200.	91¼	92¼	0	9.08
Eng.China Clay 6½ 03 £	9/88	4.8	101¼	102¼	+0⅛	8.29
Fujitsu 3 99 US	5/84	1106.	256	257	+3	2.45
Land Secs. 6⅜ 02 £	6/87	6.72	96⅜	97⅜	−0⅛	13.02
MCA Inc 5½ 02 US	9/87	69.62	81¼	82¼	+1⅛	25.43
Minolta Camera 2¼ 94DM	2/86	1004.	97⅝	98¼	+0⅛	18.35
Mitsubishi Bk.1⅜ 02 US	9/87	3157.	137½	139½	+0⅛	7.11
Mitsui Trust 2⅜ 01 US	10/86	1903.	143½	144⅞	+0⅛	6.92
Next Plc 5⅞ 03 £	11/87	4.3	96¾	97¾	−0⅛	234.54
Nichi Mpa.Bk.2⅞ 03 US	4/88	804.	119⅝	120⅞	+3⅛	18.92
Omron Tateisi 2⅞ 02 US	4/87	1310.	219⅝	221	+5⅛	2.94
Primerica 5½ 02 US	4/87	66.75	63⅛	64⅛	−0⅛	51.12
Ranks Hovis 4¾ 03 £	1/88	3.5	108½	109½	+0⅛	10.90
Redland 7¼ 02 £	1/87	5.4	90¼	91¼	−0⅛	22.34
Saatchi&Sschi 6⅜ 03 £	†10/89	4.41	95½	96½	−1⅛	30.67
Texas Inst. 2⅞ 02 US	†9/87	82.87	71⅞	72⅞	0	59.67
W.R. Grace 6½ 02 US	9/87	42.12	81⅛	82⅛	−0⅛	32.86

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Salomon sees yen rising to new high

By Norma Cohen

THE STRENGTH of the Japanese economy in 1989 is likely to push the yen to a new high at 110 against the dollar and force Japanese monetary authorities to push up interest rates, said Salomon Brothers, in its annual forecast of prospects for world financial markets.

As a result of Japan's strong economic performance, Salomon Brothers economists recommend that domestic portfolio managers concentrate their investments in the equities area, and foresee a possible rise in the Nikkei Index to 35,000 by the end of 1989.

Salomon recommends that Japanese investors underweight their holdings of both bonds and cash.

In the US markets, the Federal Reserve is likely to tighten monetary policy, pushing the federal funds rate up in early 1989 to 9 per cent, providing support for the dollar. Long-term bond yields are likely to peak at around 9.75 per cent, establishing a trading range between that level and 8.50 per cent.

Salomon is recommending that domestic US porfolio managers overweight their investments in cash and money market instruments and underweight holdings of US equities. A neutral position should be maintained in bonds.

In the UK, the government gilt-edged securities market is expected to see further benefits from tight money policies, although as inflation pressures ease, short-term rates will fall about 100 basis points.

Long-term bond yields may rise somewhat, leading to a slightly flatter yield curve.

Salomon Brothers recommends that UK investment managers overweight portfolios somewhat in cash and money market instruments, and hold a neutral position in UK equities.

● A significant realignment of the European Monetary System (EMS) is likely in 1989 as European policy makers aim for more durable currency stability.

Salomon estimates the central rate between the French franc and the D-Mark could be revalued by as much as 5 to 6 per cent. Currency inflows in anticipation of this realignment are likely to lead to a further modest drop in West German government bond yields in 1989.

While the revaluation will eventually stimulate flows of funds into the French government bond market, 1989 is too soon for investors to realise benefits from falling bond yields that will compensate for a weaker French franc.

LBO boom may flatten in 1989

By Norma Cohen

CORPORATE restructurings such as leveraged buy-outs are not likely to accelerate in 1989 because of borrowing constraints imposed by banks and investors, said Salomon Brothers in its annual forecast of fixed income markets.

The amount of US domestic corporate debt to be affected by such transactions is likely to be no greater than the $7bn to $8.0bn figure seen in 1988. And if that estimate should prove accurate, interest rates on US bonds relative to those on Treasuries have already risen enough to compensate investors for so-called "event risk".

US corporate bond markets were shaken in October 1988 by news that RJR Nabisco's management planned a leveraged buy-out totalling $20bn plus.

Spreads on RJR Nabisco's bonds soared to about 180 basis points over Treasuries and spreads of other corporates widened out as well.

However, the initial investor panic anticipating widespread corporate restructurings may well be overdone.

"Potentially significant limits exist with respect to the size and volume of corporate restructuring activity," Salomon Brothers says.

For one thing, regulatory requirements for banks prevent any one lender extending credit equal to more than 15 per cent of the borrower's total equity.

This will require banks to expand the group of lending institutions, possibly an increasingly difficult task in the face of a tougher regulatory stance on LBOs and capital adequacy.

Also, the capacity of the high-yield "junk" bond market to expand to finance corporate restructurings is limited.

Salomon Brothers estimates that this market could absorb no more than $40bn in a single year.

INTERNATIONAL CAPITAL MARKETS

Gorbachev brings brief respite to US Treasuries

By **Janet Bush** in New York and **Katherine Campbell** in London

US TREASURY bonds yesterday morning managed to hold on to most of the sharp gains posted on Tuesday as traders continued to cover short positions amid an outburst of optimism as Mr Mikhail Gorbachev addressed the United Nations.

As the Soviet leader gave his speech, which was highly conciliatory in tone and offered substantial unilateral troop reductions, the dollar rallied strongly and bonds moved higher in concert.

But by midsession, the dollar had slipped and bonds moved lower once again. Bond prices were quoted around ⅛ point lower at the short end of the yield curve and ¼ point down at the long end. The Treasury's long bond was quoted ¼ point lower for a yield of 8.96 per cent.

The fact that the bond market did not fall further after its 2½-point rally on Tuesday attests to the number of deep short positions which had been in the market. Although rumours of a 30 per cent reduction in Soviet troops – the actual cuts proposed amount to about 10 per cent of all forces – had accelerated buying on Tuesday, the rally was largely on short covering.

The sharp rally in the market this week has taken the market to a higher level than the one prevailing before last Friday's employment figures, somewhat surprising given that there has been no economic news of note.

At midsession yesterday, Fed Funds slipped just below 8½ per cent, having traded above that level for most of the week.

POLITICS rather than economics drives the New Zealand government bond market these days. Fundamentals are strong, currency risk is diminished after a sharp drop in the dollar in recent months, and real rates of return on the long end of the bond market stand at around 10 per cent.

Yet a rift between Mr David Lange, New Zealand's Prime Minister, and Mr Roger Douglas, the Finance Minister, has ensured that interest rates have been edging up persistently in recent weeks. Yesterday's rumour that Mr Lange would not renew the contract of Mr Douglas' speechwriter contributed to a choppy day with yields up on initial selling, then dipping as low as 13.85 per cent, before closing back up at 13.94.

Some selling continued in London, with activity between intermediaries, which is unusual. Traders anticipated that the benchmark 10 per cent bond due 1993 might soon trade through the 14 per cent support level for the first time.

THE UK government bond market largely shrugged off the previous night's rally in US Treasuries. When it opened between ¼ and ⅜ point up on last night's close, sellers emerged, taking profits, and also expressing scepticism about rumours concerning Mr Gorbachev's speech.

It remained unimpressed when these were sustantiated in the afternoon, and the long gilts on Liffe closed at 95.22. Throughout the day, the market remained more preoccupied with its own troop reductions. Local difficulties, principally the fear of a further rise in base rates, ensured that gilts are uncoupled for the time being from forward momentum across the Atlantic.

THE March 10-year government bond future closed in Tokyo at 107.73, down on Tuesday's close of 108.12. Selling, largely in the futures market, was precipitated by a weaker yen. The slippage in the currency continued in London, particularly in response to Mr Mikhail Gorbachev's comments. However, dealers reported no client selling in the JGBs.

Seasonal factors have been pushing up yields on three-month CDs, through which banks finance much of their bond holdings, which has in turn nudged up the yield on the benchmark No.105 bond.

IN FRANKFURT, the Bundesbank announced a 35-day DM13.5bn repurchase agreement at rates between 4.70 and 4.95 per cent. Some dealers interpreted this as a signal of possible tightening around the corner, as the expiring 28-day repo (priced at 4.40 and 4.75 per cent) was DM200m larger. The market, which had opened 30 or 40 basis points higher in sympathy with New York's close, came off somewhat at the repo announcement, and continued to fall during the afternoon in tandem with New York, to close more or less unchanged on yesterday's prices.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-00	+2/32	10.85	11.00	10.31
		8.750	9/97	92-04	-3/32	10.13	10.23	9.69
		9.000	10/08	98-04	-3/32	9.21	9.22	9.04
US TREASURY		8.875	11/98	99-22	-5/32	8.92	9.06	8.88
		9.000	11/18	100-22	-8/32	8.93	9.14	8.96
JAPAN	No 105	5.000	12/97	102.9823	-0.599	4.53	4.57	4.72
	No 2	5.700	3/07	109.2445	-0.494	4.76	4.83	4.99
GERMANY		6.750	8/98	102.0250	-0.075	6.48	6.46	6.37
FRANCE	BTAN	8.000	10/93	98.0153	+0.152	8.50	8.53	8.48
	OAT	9.500	5/98	105.0000	+0.175	8.68	8.73	8.74
CANADA		10.250	12/98	101.7500	+0.500	9.97	10.09	10.09
NETHERLANDS		6.7500	10/98	101.9500	+0.150	6.55	6.53	8.43
AUSTRALIA		12.500	1/98	100.5241	+0.377	12.39	12.45	11.85

London closing. *denotes New York morning session
Month ago yields on US Treasury apply to the 9.250 of '98 and the 9.125 of 2018
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Mitsubishi Bank buys US futures broker

By **Stefan Wagstyl** in Tokyo

MITSUBISHI BANK, a leading Japanese commercial bank, yesterday announced plans to buy Sectrend, a US futures broker, in order to secure Sectrend's seats on the Chicago Mercantile Exchange and the Chicago Board of Trade.

Sectrend is now out of active business, but retains its memberships of the two exchanges, the world's largest.

Mitsubishi said it was making the acquisition to widen its international network of futures trading operations. It is already a member of the London International Financial Futures Exchange and of the Singapore Mercantile Exchange.

Several Japanese banks and securities companies have acquired or announced plans to acquire Chicago brokers this year. Others are still looking for a partner. One is Nomura Securities, the largest stockbroker, which pulled out of a deal it planned to make with GNP Commodities after US regulatory authorities filed a complaint against GNP, charging it with various offences including fraud.

These companies are establishing themselves in Chicago in anticipation of changes in Japanese futures regulations which will allow Japanese houses to broke foreign financial futures to Japanese clients.

● Japan's Finance Ministry has granted a request by Japan Bond Trading to act as a broker in US Treasury bonds and notes in Tokyo, Reuter adds from Tokyo.

JBT will start broking US 30-year bonds and 10-year notes from December 12. All resident foreign and Japanese brokers with Japanese securities licences will be allowed to trade Treasuries through JBT.

The MoF allowed JBT to open an account denominated in US dollars at the Bank of Tokyo Trust in New York, through which bond transactions will be made initially.

Bank of Tokyo Trust has an account at Irving Trust which is connected to the Federal wire system, through which Treasury transactions are settled.

Canadian banks set fair for 1989

David Owen reviews last year's performance and assesses prospects

As 1987 was bleak, so 1988 has been rosy for Canada's Big Six chartered banks.

For the year ended October 31, the six reported aggregate profits of C$3.26bn (US$2.74bn) to erase the memory of their C$634.5m (restated) aggregate loss incurred in 1987. Then, massive loan loss provisions of close to C$3.5bn pushed all but Toronto-Dominion deep into the red.

This year, profits have outstripped even last year's exceptionally good operating earnings by fully 14.4 per cent.

Progress is partly due, as the Canadian economy has continued to steam ahead at a rapid pace, simply to continued high demand for consumer loans. Net interest income before provision for loan losses was up by between 11 and 19.5 per cent from 1987 levels.

But fee-related or non-interest income increased by a still more impressive 14 to 23.6 per cent. The bulk of the increment was generated by the banks' recent investment dealer acquisitions and the generally heightened increase in investment banking activities. Business in commercial paper and bankers' acceptances, for example, has soared in recent years, eating into the market for traditional commercial loans.

Banks also benefited from a marked improvement in the non-performing loan situation, with Toronto-Dominion, Canadian Imperial Bank of Commerce (CIBC) and Bank of Montreal in particular receiving a huge shot-in-the-arm from the completed purchase by Amoco Canada of Dome Petroleum, the over extended Calgary energy company.

Overall, non-accrual loans declined to some C$4.3bn at the end of the year, from around C$8bn in 1987, analysts say.

Together, these factors more than offset the impact of further sizeable hikes in LDC (less developed countries) loan loss provisions.

Four of the Big Six have now raised these reserves to 45 per cent of remaining exposure, the maximum permitted by domestic regulators. Bank of Montreal and National Bank are the laggards in this respect, with reserves of 40 per cent and 38 per cent of exposure respectively.

Several of the banks have opted to cut their losses in another way by selling or swapping large chunks of their LDC loan portfolios at substantial discounts on secondary markets. Toronto-Dominion and CIBC have been perhaps the quickest off the mark. Toronto-Dominion sold or swapped C$1.7bn of its LDC portfolio during the course of the year, leaving a net exposure of C$602m. CIBC reduced its LDC exposure by C$1.2bn through the same devices.

The feeling is that the banks will do well to match their 1988 performance in the year ahead, particularly if domestic economic growth cools down as is generally anticipated. Nonetheless, the horizon appears relatively unblemished – especially in comparison with the problems confronted in the past several years.

Two areas at least – namely cost control and exposure to debt incurred in leveraged buy-outs – may warrant close scrutiny, however.

Non-interest expenses rose by as much as 10 to 15 per cent across-the-board in the year just ended. While a large portion of the increase was attributed in most cases to securities dealer acquisitions, analysts will be looking for the banks to put a brake on this trend in the year ahead.

Some of the banks, meanwhile, have been quite active in soliciting leveraged buy-out (LBO) loans in the burgeoning US market, prompting fears that they may be affected adversely should an economic downturn or a high interest rate environment contrive to cause difficulties for highly leveraged companies. Once again, Toronto-Dominion and CIBC are usually cited as the leaders of the pack.

Both are adamant that they are conscious of the dangers and that they monitor the situation with the utmost care. "Our portfolio is very diversified," says Mr Donald Fullerton, CIBC chairman. "Any such deals that we get into are immediately sold down into the $20m range."

The increasing size and number of LBOs is nonetheless regarded with caution by many analysts, not least because the extent of LBO exposure can be hard to quantify.

"Amounts outstanding can vary significantly," according to Mr Roy Palmer of Alfred Bunting. "Definitions vary among banks," he adds, "and a bank with an operating loan to a company may be just as much at risk as those banks which have lent funds for LBO purposes to the same company."

Finally, further diversification into areas like property and fiduciary services may lie in store as the deregulation of the Canadian financial services industry under the recently re-elected Progressive Conservative Government proceeds.

The imminent ratification of the US-Canada free trade agreement may well prompt Canadian institutions to redouble their hitherto low-key quest for suitable acquisition targets south of the border. The high prices being sought for quality assets have proved a sizeable deterrent to date.

CANADIAN BANK PERFORMANCE (C$m)

	1988 net profit	1987 net profit (restated)	1987 provision for LDC loan losses	1988 return on assets (per C$100)
Royal Bank	712.3	(287.7)	800	68c
CIBC	591	(18)	450	65c
Bank of Montreal	553.4	(215.2)	765	70c
Bank of Nova Scotia	506.6	(213.7)	692.9	71c
Toronto-Dominion	667.8	145.8	475	$1.15
National Bank	226.3	(45.7)	288	73c

Rapid growth in currency swaps market

By **Stephen Fidler**, Euromarkets Correspondent

RAPID GROWTH in the market of interest rate and currency swaps continued into the first half of 1988, but the relative importance of the US dollar declined further, according to the latest semi-annual survey carried out on behalf of the International Swap Dealers Association.

The survey, the third of its type conducted for the association, showed that swaps executed in the first half of the year totalled $311bn.

This figure was 25 per cent up on the second half of 1987 and compared with $225bn in the first half of 1987.

Interest rate swaps grew 21 per cent over the previous half to $250.5bn, while currency swaps, a market that had stagnated in the second half of 1987, grew by almost 43 per cent to $60bn.

Transactions involving US dollars totalled $206.5bn, leaving the dollar with the largest share of the market at 56 per cent, compared with 60 per cent in the previous half and 66 per cent a year earlier. (Currency swaps are "double-counted" to work out overall percentages.)

In the interest-rate swap market, dollar business grew by just over 5 per cent over the previous half to $155bn, while interest rate swaps involving dollars grew by 35 per cent to $50.9bn.

Significant growth occurred in the UK and continental markets, and ISDA said the greater certainty in the regulatory environment, following the publication of capital guidelines for international banks, had contributed to growth.

After the dollar, sterling and the D-Mark were the top currencies in the interest rate swap market, and the yen and the Swiss franc in the currency swap market.

The survey was carried out by Andersen Consulting, a subsidiary of the accountancy group Arthur Andersen, and covers new business written in 13 currencies by 54 ISDA members.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Dec 7 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Tue Dec 6 Index No.	Mon Dec 5 Index No.	Fri Dec 2 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	772.43	+0.4	11.98	4.58	10.23	24.06	769.43	765.57	767.53	654.08
2 Building Materials (28)	938.10	+0.3	13.46	4.82	9.15	29.21	935.48	933.06	937.84	835.72
3 Contracting, Construction (39)	1447.48	+0.6	13.50	4.18	9.66	46.04	1438.58	1437.28	1448.22	1223.27
4 Electricals (10)	2319.58	+0.6	9.34	4.86	12.91	76.55	2306.61	2310.48	2319.37	1857.68
5 Electronics (30)	1722.19	+0.3	10.77	3.77	12.01	43.59	1716.44	1693.82	1705.41	1399.67
6 Mechanical Engineering (55)	409.02	+0.4	11.19	4.47	10.92	13.59	407.19	404.89	403.42	326.26
8 Metals and Metal Forming (8)	457.82	......	16.51	6.31	6.91	13.69	457.90	454.77	457.85	402.29
9 Motors (16)	265.58	-0.1	12.77	5.09	9.04	9.80	265.79	266.04	265.01	229.16
10 Other Industrial Materials (23)	1313.29	+0.7	10.17	4.70	11.62	44.22	1304.12	1300.74	1298.74	1170.18
21 CONSUMER GROUP (187)	1014.37	-0.2	10.13	4.05	12.40	27.98	1016.37	1015.53	1021.12	967.34
22 Brewers and Distillers (21)	1128.40	+0.3	10.92	3.80	11.46	24.10	1124.78	1121.31	1126.21	926.51
25 Food Manufacturing (21)	913.52	-0.5	9.82	4.18	12.86	26.17	918.01	917.87	923.17	780.47
26 Food Retailing (16)	1776.16	-0.8	10.18	3.89	12.93	46.95	1790.64	1769.89	1793.99	1928.28
27 Health and Household (12)	1784.55	+0.5	7.55	2.83	15.20	40.69	1775.70	1777.51	1780.95	1726.00
29 Leisure (31)	1359.46	+0.2	8.75	3.79	14.63	35.06	1357.10	1351.99	1358.97	1036.74
31 Packaging & Paper (17)	518.81	-0.4	10.75	4.34	11.57	16.19	521.06	523.84	522.58	456.41
32 Publishing & Printing (19)	3232.55	+0.3	9.47	4.74	13.21	106.59	3222.67	3245.06	3245.51	2984.32
34 Stores (34)	669.53	-1.5	12.68	5.12	10.36	23.22	679.43	681.46	688.28	802.44
35 Textiles (16)	453.23	+0.8	15.36	6.20	7.80	18.17	449.77	449.50	451.31	532.07
40 OTHER GROUPS (92)	886.72	+0.5	11.70	4.67	10.43	24.69	882.13	881.07	883.64	779.00
41 Agencies (19)	1012.96	-0.7	8.08	2.78	14.14	20.98	1019.77	1025.00	1025.73	934.55
42 Chemicals (22)	1003.76	+0.7	12.69	5.25	9.46	41.34	996.43	999.84	1001.60	974.19
43 Conglomerates (12)	1258.64	+1.7	11.03	4.61	10.37	25.26	1237.86	1239.98	1240.03	1035.13
45 Shipping and Transport (12)	1843.46	-0.4	12.15	5.09	10.75	62.48	1850.95	1851.59	1860.93	1614.66
47 Telephone Networks (2)	1001.89	+0.4	11.73	4.69	11.09	20.38	998.16	991.34	989.27	815.00
48 Miscellaneous (25)	1150.81	+0.5	12.36	4.77	9.21	40.53	1145.19	1147.53	1150.86	1077.70
49 INDUSTRIAL GROUP (488)	931.02	+0.2	11.07	4.37	11.16	26.67	929.52	927.84	931.32	841.63
51 Oil & Gas (12)	1711.21	+0.4	10.82	6.54	11.84	76.82	1703.76	1694.37	1688.28	1607.56
59 500 SHARE INDEX (500)	997.29	+0.2	11.04	4.67	11.25	30.89	995.30	992.99	995.71	906.57
61 FINANCIAL GROUP (124)	676.64	-0.4	-	5.26	-	25.49	679.68	676.32	677.43	589.23
62 Banks (8)	666.24	-0.2	21.28	6.51	6.30	31.13	667.40	666.65	669.85	605.57
65 Insurance (Life) (8)	932.48	+0.1	-	5.69	-	39.81	931.17	916.47	913.76	873.48
66 Insurance (Composite) (7)	508.56	+0.5	-	6.15	-	24.04	506.05	498.81	498.47	469.69
67 Insurance (Brokers) (7)	894.58	-0.2	9.79	7.23	12.77	46.87	896.63	888.99	889.37	756.51
68 Merchant Banks (11)	318.73	-0.5	-	4.70	-	10.15	320.40	317.15	319.25	309.59
69 Property (52)	1244.74	-1.7	5.66	2.75	22.59	21.81	1266.15	1266.03	1265.44	895.44
70 Other Financial (31)	351.58	-0.2	10.01	5.61	12.48	14.72	352.22	352.98	354.65	349.67
71 Investment Trusts (76)	913.25	+0.9	-	3.29	-	19.78	905.48	902.80	908.15	752.41
81 Mining Finance (2)	553.70	......	11.04	3.78	10.09	15.67	553.70	553.19	552.68	415.66
91 Overseas Traders (8)	1296.86	-0.3	9.05	4.88	12.81	44.98	1300.45	1315.58	1338.22	887.14
99 ALL-SHARE INDEX (710)	918.18	+0.1	-	4.71	-	29.10	917.20	914.84	917.38	821.60

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 6	Dec 5	Dec 2	Dec 1	Nov 30	Year ago
FT-SE 100 SHARE INDEX ♦	1771.7	+4.3	1777.9	1765.5	1767.4	1761.6	1765.0	1778.7	1792.4	1639.3

FIXED INTEREST

PRICE INDICES	Wed Dec 7	Day's change %	Tue Dec 6	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	118.41	+0.06	118.34	-	10.67
2 5-15 years	135.31	+0.09	135.20	-	11.64
3 Over 15 years	146.92	-0.05	147.00	-	13.25
4 Irredeemables	169.98	+0.11	169.78	-	13.62
5 All stocks	132.59	+0.06	132.50	-	11.62
Index-Linked					
6 5 years	130.53	+0.09	130.41	-	1.81
7 Over 5 years	128.07	+0.06	127.99	-	2.96
8 All stocks	128.05	+0.06	127.98	-	2.85
9 Debentures & Loans	116.91	-0.02	116.93	-	11.28
10 Preference	86.42	+0.30	86.17	-	6.31

AVERAGE GROSS REDEMPTION YIELDS		Wed Dec 7	Tue Dec 6	Year ago (approx.)
British Government				
1 Low Coupons	5 years	10.30	10.32	8.51
2	15 years	9.49	9.48	9.42
3	25 years	9.06	9.05	9.26
4 Medium Coupons	5 years	10.69	10.71	9.13
5	15 years	9.70	9.70	9.60
6	25 years	9.25	9.25	9.52
7 High Coupons	5 years	10.83	10.86	9.20
8	15 years	9.83	9.84	9.75
9	25 years	9.28	9.28	9.54
10 Irredeemables†		8.91	8.92	8.97
Index-Linked				
11 Inflation rate 5%	5yrs.	3.44	3.47	2.73
12 Inflation rate 5%	Over 5 yrs.	3.69	3.69	3.84
13 Inflation rate 10%	5 yrs.	2.28	2.30	3.07
14 Inflation rate 10%	Over 5 yrs.	3.52	3.52	3.91
15 Debs & Loans	5 years	11.37	11.37	10.79
16	15 years	11.12	11.12	10.81
17	25 years	10.86	10.86	10.83
18 Preference†		10.36	10.39	10.54

♦Opening index 1777.8; 10 am 1773.7; 11 am 1774.9; Noon 1769.5; 1 pm 1769.0; 2 pm 1769.3; 3 pm 1769.2; 4 pm 1768.1; 4.05 pm 1768.2 (a) 9.01am (b) 3.24pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.
CONSTITUENT CHANGES: Sound Diffusion (4) has been deleted and replaced by British Steel (8).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	76	14	21
Corporations, Dominion and Foreign Bonds	12	15	24
Industrials	360	419	802
Financial and Properties	190	154	325
Oils	28	21	56
Plantations	2	0	11
Mines	31	54	105
Others	95	57	122
Totals	794	734	1,466

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§20	F.P.	16/12	26½	21	‡Apollo Watch Prods. 3p	25½	+½	b0.45	3.0	2.4	17.2
-	F.P.	-	74	55	BTR Warrants	60	-1	-	-	-	-
§200	F.P.	-	210	185	‡Bletchley Motor 20p	190		R7.5	2.4	5.4	7.4
§135	F.P.	-	146	141	Bostrom 5p	146		R5.1	2.9	4.7	8.3
125	60p	-	63	60½	British Steel 50p	60½	-½	R7.5	2.7	8.0	5.1
♦44	F.P.	-	41	41	‡Capital Leasing Ir10p	41		RQ13%	3.3	2.7	11.7
§70	F.P.	-	80	72	‡Channel Express 10p	80	+1	R2.1	3.0	3.5	11.5
§154	F.P.	13/1	158	153	Dawsongroup	154		R4.75	2.6	4.1	11.1
§84	F.P.	-	95	84	‡EW Fact 5p	91	-2	b3.0	2.3	4.4	9.5
§55	F.P.	-	66	55	*Edinburgh Hibernian 2p	63		-	-	-	-
155	F.P.	6/2	157	144	Fairey Group 5p	146	+2	R5.8	2.9	5.0	8.7
§18	F.P.	-	16½	10	*Kromagraphic 1p	16	-½	-	-	-	-
§10	F.P.	-	16	10	*Do. 5p	15		-	-	-	-
-	F.P.	-	5	2	*Do. Warrants	5	+1	-	-	-	-
§100	F.P.	-	101	94	New Zealand Inv. Tst.	94		F6.0	-	8.5	-
§62	F.P.	-	68	64	Ralston Investment Tst.	64	-1	L1.5	-	3.1	-
93	F.P.	8/12	98	93	SMAC Group	93		R2.1	3.4	3.0	11.4
§66	F.P.	-	69	64	‡Safeland 5p	64	-1	R2.6	3.2	5.4	6.3
†	10p	-	15	13	*Whitegate Leisure 20p	13		-	-	-	-
-	F.P.	-	12	6	*Do. Warrants	10		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	96p	90p	AMEC New 6½p (Net) Cm Cv Rd Pf 50p	90p	-1
100p	F.P.	-	100¾p	99½p	Arlington Sec. 9½pc Cnt. Rd. Pf. 2008	100½p	+½
100.3p	F.P.	-	101p	94p	Blackwood Hodge 9pc Cm. Pf. £1	95p	
-	F.P.	7/12	104½	103⅞	British Sugar New 10⅞pc Deb. 2013	103⅞	
§100p	F.P.	-	99¾p	98½p	Church (C) Dev. 9.375pc Cm Rd Pf £1	99p	+½
§100p	F.P.	-	101p	99½p	Egerton Tst. 9¼pc 1st Cm Rd Pf 2013	100p	
100p	F.P.	-	115p	107p	Lloyds Chem. 7.5p (Net) Cm Rd Pf 5p	107p	-1
100p	F.P.	-	98p	90p	Mecca Leisure Grp. 7.25p Cv Pf 20p	91p	-1
§100	F.P.	-	100	99⅝	N'wide Anglia 12⅛pc 4.12.89	99⅝	
§100p	F.P.	-	96p	90p	Parkfield Grp 9pc(Net)Rd Pf '10/13 £1	90p	-2
§100p	F.P.	-	100p	91p	Rockware Grp 7¼pc Cv Cm Rd 2nd Pf	92p	-1
100p	F.P.	-	104p	98p	Williams Hldgs 8p (Net) Cv Rd Pf 10p	98p	-1

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
10	Nil	10/1	2pm	1½pm	*Amertower Energy	1½pm	
155	Nil	3/1	30pm	¼pm	Britannia Sec Group 10p	1pm	-2
55	Nil	16/12	12pm	9pm	Electronic Machine 5p	10pm	+1
90	Nil	6/1	8pm	2pm	Goal Petroleum 5p	2pm	-1½
185	Nil	25/1	20pm	14pm	Hickson International	14pm	-2
165	Nil	13/1	80pm	65pm	‡JSB Electrical 20p	70pm	
100	Nil	14/12	80pm	10pm	Pavilion Leisure 10p	20pm	-10
215	Nil	13/12	21pm	6pm	Quadrant Group 10p	6pm	
175	Nil	30/12	28pm	¼pm	Ratners Group 10p	¼pm	-1¼
5	Nil	10/1	10½pm	1pm	‡SelecTV 1p	6½pm	+½

a Annualised dividend.b Figures based on prospectus estimates.d Dividend rate paid or payable on part of capital, cover based on dividend on full capital.g Assumed dividend and yield.s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.L Estimated annualised dividend,cover and p/e based on latest annual earnings.M Dividend and yield based on Prospectus or other official estimates for 1988 N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross.R Forecast annualised dividend,cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures.φ Issued by tender.♦ Offered to holders of ordinary shares as a "rights".† Introduction.§Placing price.†† Reintroduction.♦ Issued in connection with reorganisation merger or takeover.‡ Allotment price.‡ Unlisted securities market.♦ Official London listing.□ Including warrants entitlement.* Third Market.

TRADITIONAL OPTIONS

● First Dealings Dec 5
● Last Dealings Dec 16
● Last Declarations Mar 9
● For settlement Mar 20

For rate indications see end of London Share Service

Calls in Lonrho, York Trst, Eagle Trst, Davy Corp, NEI, BTR Wrrts, Stakis, Oliver Res, Apollo New, Jantar, Coats Viyella, Prudential, Br Steel, L/a, Williams (Rex), Next, Charter Cons, Wilson Bowden, Dares Est, Barratt Devs. Puts in Dares est, Berkeley Inv. P/C in Br Steel, L/A.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*463)	460	20	37	48	15	23	31
	500	6	18	30	44	45	52
Brit. Airways (*156)	140	19	24	28	1½	4½	7
	160	6	12	15	9	11	14
Brit. & Comm. (*220)	200	26	31	-	3	4	-
	220	10	17	22	9	13	15
	240	4	8	12	26	26	28
B.P. (*245)	240	12½	15½	22	4½	12	13
	260	3	6¼	12½	15½	24	25
British Steel (*61)	50	12	14½	15½	½	1¼	3
	60	3¼	6½	8¼	2½	3½	6½
	70	¾	2½	4¼	10	10	13
Bass (*775)	750	30	55	80	15	22	27
	800	10	27	50	50	50	52
Cable & Wire (*371)	360	20	35	50	8	17	22
	390	6	19	30	25	32	40
Cons. Gold (*1198)	1150	110	155	190	32	70	85
	1200	80	125	160	60	92	105
	1250	53	105	-	85	115	-
Courtaulds (*247)	220	33	40	44	2	4	8
	240	17	26	32	5	9	15
	260	7	15	21	16	19	25
Com. Union (*325)	300	32	38	44	3	8	10
	330	10	18	26	14	24	26
G.K.N. (*307)	300	16	25	32	6	15	17
	330	3½	10	18	24	31	35
Grand Met. (*446)	420	37	43	59	4	12	14½
	454	13½	22	-	18	26	-
I.C.I. (*975)	950	50	70	92	12	33	40
	1000	21	40	68	33	55	62
Jaguar (*270)	260	20	27	38	6	14	21
	280	8	17	28	14	26	32
Land Securities (*566)	550	32	53	65	7	16	20
	600	8	25	38	37	37	45
	650	2	10	20	87	87	87
Marks & Spencer (*141)	140	7	14	18	5	6½	8
	160	1½	5	9	19	28	22
	180	1	2½	5	39	39	42
STC (*266)	260	14	25	32	9	13	15
	280	7	12	22	20	23	25
Sainsbury (*195)	180	20	26	31	2	5	8
	200	6	14	19	9	13	16
Shell Trans. (*990)	950	62	83	103	10	28	31
	1000	30	50	73	30	50	52
	1050	11	26	48	65	85	85
Storehouse (*187)	180	19	27	32	11	14	20
	200	10	19	23	22	27	34
Trafalgar House (*300)	300	8	16	24	15	17	24
	330	2	6	10	44	44	46
Utd. Biscuits (*281)	280	17	28	36	11	14	20
	300	7	18	26	22	25	29
Ultramar (*259)	240	-	-	53	-	-	20
	255	20	30	-	15	27	-
	260	-	-	40	-	-	35
Woolworth (*234)	220	22	30	-	3	6	-
	240	9	16	23	10	15	18
	260	4	9	13	29	30	32

Option		Calls Jan	Calls Apr	Calls Aug	Puts Jan	Puts Apr	Puts Aug
GEC (*178)	140	42	44	-	1	1½	-
	160	23	25	32	2	4	6½
	180	7	13	17	7½	10½	14

Option		Calls Jan	Calls Apr	Calls Jun	Puts Jan	Puts Apr	Puts Jun
Rolls-Royce (*129)	120	13	19	21	2½	4	6
	130	5½	12	14	5	7½	12
TSB (*107)	100	10	12	14	1	2½	3½
	110	3	5	8	6	7	8
	120	1	3	4½	14	15	15

Option		Calls Feb	Calls Apr	Calls Jul	Puts Feb	Puts Apr	Puts Jul
Ladbroke (*427)	390	50	-	-	3	-	-
	420	27	35	45	10½	12½	18
	460	9	15	23	35	37	40

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero (*448)	420	46	54	66	9	17	23
	460	21	29	43	25	36	43
	500	8½	16	27	54	66	70
BAA (*265)	260	17	27	35	6	10	13
	280	7	15	23	18	21	23
BAT Inds (*425)	420	26	35	45	11	18	22
	460	8½	15½	25	37	43	46
Brit. Telecom (*256)	240	21	29	35	3½	6	9
	260	8	15	20	13	15	17
Cadbury Schweppes (*341)	300	54	-	-	4	-	-
	330	32	41	51	13	19	21
	360	15	26	36	28	35	40
Guinness (*327)	300	38	46	52	2½	6	7
	330	17	24	30	12	16	17
	360	4	9	17	34	34	36
LASMO (*445)	420	53	70	-	16	27	-
	460	28	47	60	36	47	52
	500	16	28	40	62	70	77
P. & O. (*536)	500	52	65	-	4	10	-
	550	20	30	40	22	33	35
	600	7	14	20	67	68	70
Pilkington (*207)	200	14	22	25	7	9	13
	220	6	12	14	18	19	23
Plessey (*216)	200	25	33	38	6	9	11
	220	13½	21	25	15	19	21
Prudential (*149)	140	15	18	20	3	6	7
	160	4½	6	8	14	17	17
	180	1	3	-	33	34	-
Racal (*264)	260	20	30	34	11	14	18
	280	9½	19	24	24	25	30
R.T.Z. (*422)	420	30	45	53	17	28	30
	460	14	25	33	42	47	52

Option		Calls Feb	Calls May	Calls Sep	Puts Feb	Puts May	Puts Sep
Vaal Reefs (*$72)	70	8	11	13	6	9	10
	80	4	6	7	13	14	15

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Amstrad (*150)	140	15	23	29	3	7	9
	160	4½	13	19	12	17	17
Barclays (*406)	395	18	-	-	2	-	-
	420	-	15	20	-	27	27
Blue Circle (*431)	420	16	36	42	3	16	22
	460	2	17	22	32	32	42
Dixons (*138)	140	4	12	18	5	10½	14
	160	1	5½	8½	23	24	27
Glaxo (*1054)	1050	30	83	113	20	43	52
	1100	9	57	85	50	67	75
Hawker Sidd. (*535)	500	38	60	70	2	10	17
	550	5	28	38	22	28	38
Hillsdown (*246)	240	10	20	23	4	7	10
	260	1½	10	15	16	17	19
Lonrho (*356)	330	32	52	67	3	21	28
	360	12	40	54	14	37	46
Midland Bk (*414)	390	28	40	45	1½	9	11
	420	4	18	25	9	25	25
	460	1½	5	10	50	57	57
Sears (*111)	110	5½	13½	17	4½	8½	11
	120	2	9	12	11	13½	16½
Trusthouse Forte (*263)	260	6½	18	29	3½	15	19
	280	1	9½	19	19	30	32
Thorn EMI (*625)	600	35	53	70	5	15	20
	650	6	23	42	27	40	48
Wellcome (*409)	420	7	27	40	16	23	26
	460	1½	12	22	52	52	55

Option		Calls Dec	Calls Apr	Calls Jul	Puts Dec	Puts Apr	Puts Jul
Boots (*214)	200	16	28	37	1	7	12
	220	3	17	24	9½	13	18

Option		Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
British Gas (*158)	140	19	21½	25½	¼	2	2¾
	160	2¼	6½	11½	6½	8	9

Option		Calls Jan			Puts Jan		
RHM (*345)	330	27	-	-	7	-	-
	360	10	-	-	19	-	-

Option		Calls Dec	Calls Mar	Calls Jul	Puts Dec	Puts Mar	Puts Jul
Beecham (*457)	420	41	58	73	1½	6	12
	460	9	29	45	9½	17	24
Unilever (*444)	420	28	46	57	2½	8	13
	460	4	19	32	18	26	30

Option		Calls Dec	Calls Mar	Calls May	Puts Dec	Puts Mar	Puts May
BTR (*286)	280	11	24	26	2	8	11
	300	1½	12½	14	16	18	21
Hanson (*157)	140	17½	19	21	¼	2¼	3¼
	160	1½	6¼	9	9	11	11½
Tesco (*131)	130	5	12	15	2½	7	9
	140	1½	7	10	10	12	15

Option		Calls Jan	Calls Mar		Puts Jan	Puts Mar	
Enterprise Oil (*483)	460	55	68	-	17	30	-
	500	33	50	-	40	50	-
Scot. & Newcastle (*396)	390	19	33	-	8	17	-
	420	8	20	-	30	37	-
	460	1½	10	-	67	70	-

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
Conv. 9½% 2005 (*100)	98	[illegible]	-	-	[illegible]	-	-
	100	[illegible]	-	-	1	-	-
	102	[illegible]	-	-	[illegible]	-	-
Tr. 12% 1995 (*106)	106	-	-	-	1¼	-	-
	110	[illegible]	-	-	-	-	-
	112	[illegible]	-	-	-	-	-

Option		Calls Dec.	Calls Jan.	Calls Feb	Calls Mar	Puts Dec.	Puts Jan.	Puts Feb.	Puts Mar.
FT-SE Index (*1768)	1650	137	146	-	-	2	7	-	-
	1700	90	102	117	130	4½	13½	19	23
	1750	48	60	80	90	11	25	30	34
	1800	15	32	47	60	33	45	50	58
	1850	3	15	27	36	82	82	84	88
	1900	1	6	12	19	132	132	134	138
	1950	½	2	4	-	182	182	184	-

December 7. Total Contracts 68,038 Calls 40,946 Puts 27,092
FT-SE Index Calls 6293 Puts 5655
*Underlying security price.

Low alcohol beers encouraged in peak brewing year

Bass meets City forecasts with 23% rise

By Lisa Wood

BASS, Britain's largest brewer, yesterday reported pre-tax profits of £448.6m for the year to September 30, an increase of 22.9 per cent and at the top end of market forecasts.

Mr Ian Prosser, the chairman, said: "We are confident of the opportunities our businesses offer. We are looking to expand all of them – not only in the UK but overseas."

Earnings per share also increased by 22.9 per cent to 88p. The final dividend will be 18.1p (14.75) making a total of 23.5p per share (19.55p).

Mr Prosser said that over the past five years earnings' growth had moved ahead of dividend growth and this year's increase recognised the disparity after allowing for the £28.2m exceptional profit on the sale of hotels on the continent. Most of a £25.1m extraordinary item came from the sale of Horizon, the travel operator.

Group turnover was 16 per cent ahead at £3.73bn. In October Bass reorganised its businesses into four divisions. Their operating profits, before property disposals, were £299.7m for brewing and pubs; £53.9m from hotels and restaurants; £42.9m from the leisure division and £42.5m from soft drinks, wines and spirits. No comparatives are available.

Ian Prosser: looking to expand in the UK and overseas — Trevor Humphries

Bass's core business is brewing, with the group, which has about 23 per cent of the UK market, exceeding its previous peak brewing year of 1979/80. Beer volumes of brands, including Bass, Carling Black Label and Tennent's lager, increased by 3 per cent against an estimated 1 per cent for the market as a whole.

Product development included two new low alcohol beers, Tennent's LA lager and Bass LA ale. About one fifth of the amount Bass spent on advertising in the year was on low alcohol brands which account for less than 1.5 per cent of its volume but expected to grow in importance.

Pub retailing results were again very good, the company said. The introduction of longer licensing hours were showing an "encouraging" increase in sales of food and drink although it is too soon to quantify any increases.

The year included five months contribution from Holiday Inns which Bass purchased outside the US, Mexico and Canada. In addition 16 Crest hotels were sold on the Continent in October 1987. Bass said Holiday Inns had performed extremely well as had Crest despite the elimination of the 16 hotels. Coral Racing performed better in the second half while the purchase of Zetters made Coral the largest bingo operator in the UK.

See Lex

Dawson Intl expands in US with £79.9m buy

By Alice Rawsthorn

DAWSON INTERNATIONAL, the Scottish textile group best known for its luxury woollens, is expanding its interests in the US by buying CPG, a manufacturer of sportswear and underwear, for up to $149.1m (£79.9m).

The Scottish group is already the leading player in the US thermal underwear market through Morgan and Duofold, two businesses it bought in the mid-1980s.

Mr Ronald Miller, chairman and chief executive, said the acquisition would enable Dawson to diversify into sportswear and to apply the lessons learnt at Morgan to a larger underwear business. Dawson's shares rose by 8p to 196p on the announcement yesterday.

Last week Dawson announced an 11 per cent increase in pre-tax profits to £21m on sales of £180m for the six months to September 30. Its luxury knitwear interests suffered from the strength of sterling and rising raw material prices, but the US businesses saw sales rise from £53m to £59m.

Dawson is buying CPG from Reeves, an industrial group which has been through two leveraged buy-outs in the past six years. CPG's main activities are Cinderella Knitting Mills, for lightweight underwear and leisurewear, and West Knitting Mills, for thermal underwear and fleeced sportswear. It also owns Comfy, a seat cover manufacturer, which Dawson may eventually sell.

In 1988, CPG is expected to make profits of $17.1m before interest and tax on sales of $135m. Dawson is buying it on an exit p/e of 12½: with an initial payment of $138.8m and a performance related payment of up to $10.3m.

The deal will be financed from Dawson's own resources – gearing will rise to 30 per cent by the year-end – and from a £28m vendor placing of convertible preference shares.

Dawson plans to spend $20m over the next three years on introducing to CPG the computerised dyeing and production control systems developed at Morgan. Since acquiring Morgan in 1984, it has invested $24m. As a result Morgan's margins have risen from 37 to 38 per cent and its sales have doubled to about $90m.

Dawson plans to expand CPG's business by introducing Duofold as an upmarket active sportswear brand and to develop a range using Arctex, a new high performance thermal fibre developed at Morgan, for the mass market. It may also introduce one of its knitwear brands, probably Pringle, into leisurewear.

Saatchi & Saatchi meets expectations with lift to £138m

By Philip Rawstorne

SAATCHI & SAATCHI, the advertising and consultancy group, yesterday reported record pre-tax profits of £138m for the year to end-September, up 11 per cent and matching market expectations.

However, the figures included an unexpected investment trading contribution of £11.6m, largely from the sale of three peripheral companies.

Revenues were also 11 per cent higher at £862m. Earnings per share rose from 45.9p to 48.1p and a final dividend of 8.6p is proposed, bringing the total for the year to 16p – an increase of 10 per cent.

Mr Maurice Saatchi, chairman, said that reorganisation of the group's communications activities in both the US and Britain during the past year had "built a secure base for further organic growth."

Communications profits were up from £85.9m to £92.8m. On forecasts for an increase in worldwide advertising expenditure in 1989 of about 4 per cent above inflation, the immediate outlook was one of modest growth.

But Saatchi & Saatchi Advertising International had won major pan-European campaigns from Johnson & Johnson, Canon, NCR and Gillette during the past year and, in the UK, had won more than £100m in new business – double the previous industry record.

Total new UK business gains for the group were equivalent to 4 per cent of the entire UK advertising market, Mr Saatchi claimed. "We remain confident of the medium and long term future for the communications industry."

Future growth in communications would be achieved not only by the development of Saatchi's existing businesses but also through its ability to offer clients an improved service by exploiting its market leadership.

Maurice Saatchi: secure base for further organic growth

Saatchi's centralised buying group in the UK, Zenith, handling almost 20 per cent of the media market, had already brought about radical changes in media buying, Mr Saatchi said.

Consulting profits – up from £14.4m to £22.8m – increased their contribution to the group's profits from 14 to 20 per cent. Mr Saatchi commented: "The outlook is for rapid growth...which justifies our decision four years ago to invest in this fast-developing sector of the knowhow industry."

Since the year end, Mr Saatchi reported, the group had acquired an option to buy the US-based Information Consulting Group, a systems integration consultancy which "intends to establish a prominent position" in its $7bn market.

The option cost $7.9m and is exercisable any time up to July 31, 1990. The price to be paid for the capital of the company is dependent on future profitability but will notexceed 12 times after-tax earnings.

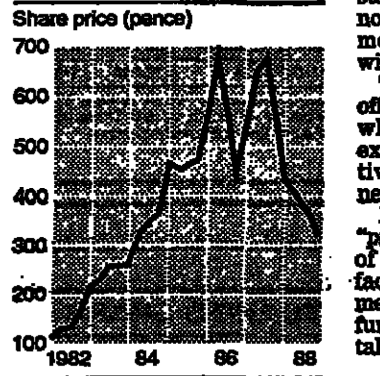
Saatchi's strategy of cross-referring business between subsidiaries was producing "considerable benefits", Mr Saatchi stated. Some 213 clients were now working across three or more service lines compared with 50 in 1987.

The worldwide network of offices was a valuable resource which enabled Saatchi to expand its operations effectively and economically into new markets.

In future, Mr Saatchi added, "prudent use" would be made of the group's greater debt facilities to finance development. Return on shareholders' funds would be the fundamental investment criterion.

See Lex

Saatchi Saatchi



US concern over Plessey bid

By Terry Dodsworth, Industrial Editor

THE US Defence Department has expressed "some concern" about the joint bid for Plessey mounted by the General Electric Company and Siemens of West Germany, Mr Stephen Walls, Plessey managing director, said yesterday.

The hostile takeover proposals had also frustrated plans to give Plessey special security clearance at Sippican, the US sonar technology company it took over last year. Approval had been expected within 48 hours of the announcement of the GEC-Siemens proposals, but this had now been put on ice because the Pentagon did not "know who it was dealing with," according to Mr Walls.

He added that Siemens had never been successful in various attempts to break into the US defence market, while GEC had "ruffled feathers" at the Pentagon following its defence acquisitions in the US. There have been suggestions in the American press that the US authorities are unhappy about deals in the defence area involving either West German or Japanese companies.

In a wide ranging criticism of the impact of the takeover proposals on Plessey, Mr Philip Parker, director of corporate development, said that 21 deals or projects had been undermined by the offer.

Mr Parker added that proposals to break up Plessey's defence activities in order to maintain competition in the UK market made no sense because the company had developed the business as an integrated activity.

"We cannot understand what value would flow from dismemberment, either to the community, our shareholders or the national interest," he said.

Plessey's approach to the development of its international activities has been to look for collaborative deals where the group could gain advantages in technology and market access. It was opposed to a GEC-type expansion which depended on takeovers and market consolidation, he said.

Mr Parker added that the company had not up to now been interested in expanding through equity participations, partly because such deals reduced the range of options with other partners. But in certain markets, such as Japan, this might be the way forward in future, he said.

Clarification sought by Hillsdown on Pittard bid

By Nikki Tait

THE CURRENT debate over the future of Britain's much-reduced leather industry took a new twist yesterday as Hillsdown Holdings, food, furniture and property group, announced that it was seeking clarification of its own position.

Hillsdown said that it had written to the Office of Fair Trading asking the Secretary of State to consider whether he would be minded to refer any offer by Hillsdown for Pittard Garner, diversified leather group, or any increase in its 16.6 per cent holding in Pittard, to the Monopolies and Mergers Commission.

Hillsdown already operates abattoirs, and uses leather in its furniture division, as well as owning leather-processing interests directly. It has four fellmongeries and a roughly similar number of hide and skin markets.

The leather industry has been in a state of flux for the past two years, following the £20m bid by Strong & Fisher, another quoted leather company, for the then Garnar Booth. This was refered, but Strong withdrew before the MMC inquiry was completed, and subsequently made other acquistions.

Garnar, meanwhile, became subject to a bid battle between Hillsdown and Pittard, the third quoted leather group. Pittard eventually won, but Hillsdown retained a stake in the merged group.

Since then, Strong has bid again for the enlarged Pittard Garnar – a £41m offer which lapsed in the face of an MMC reference last month, which is now being pursued. Hillsdown yesterday said that its own initiative was designed to clarify the company's possible future options but should not be taken as a definite prelude to a bid.

Yesterday, Pittard made little comment on the Hillsdown announcement, beyond stating that it would make the MMC inquiry complete. Its shares jumped 8p to 200p.

Meanwhile, Hambros, Strong's advisers, said that the company would be "very disappointed" if Hillsdown got a clearance while its own postion was still under examination. However, it confirmed that it intended to proceed with the MMC inquiry.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Albion ....fin	1.4	-	1.2	2.4	2
Allied Colloids ....int	0.65	Feb 24	0.65	-	2.3
Avon Rubber ....fin	10	Feb 14	7	14	10
Bass ....fin	18.1†	-	14.75	23.5	19.55
Birmingham Mint ....int	3	Jan 11	2.75	-	7.5
British Land ....int	1.63	Feb 9	1.44	-	4
BTP ....int	2.5	Feb 2	2.25	-	6.2
Cape Industries ....int	2	Jan 16	1.5	-	5.5
City Site ....fin	0.67	-	0.56	1.34	1.12
Dominion Intl ....int	2.6	Feb 28	2.5	-	5.5
Equity Consort ....int	4.5	-	4.38	-	14.786
Evans of Leeds ....int	2.15	Jan 6	2	-	5.5
Feedback § ....int	nil	—	1.25	—	2.5
Grainger Trust ....fin	3.263	-	2.58	4.2	3.33
Hanson ....fin	5	Feb 3	3	6.8	4.4
Hazlewood Foods ...int	1.5†	Jan 24	1.125	-	2.6
Latham (James) ....int	4	Feb 13	3.5	—	9.5
Saatchi ....fin	8.6	Apr 6	8.1	16	14.5
Salvesen (C) ....int	1.7	Feb 10	1.5	-	4.1
TSB Gilt Fund ....int	1☆	-	-	-	-
York Trust § ....int	1	Jan 18	0.45	-	2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ‡Third market. ☆Monthly dividend on B shares for November.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Alexander (Walter), BBB Design, Bosse Massimi, Cowan de Groot, FKI Babcock, Gibbon Lyons, Great Universal Stores, Greycoat, Hunter Saphir, Jack L Israel, Johnson Matthey, Middle Witwatersrand, Optometrics (USA), Osbourne & Little, Scapa, Sylone, Thorn EMI, Toothill (RW), Vinten, Zaropan.

Finals- Archer (AJ), Berisford (S&W), Burns Anderson, Chrysalis, Gold Fields Coal, Grand Metropolitan, Lovell (YJ), Richards, Speyhawk, Tunstall.

FUTURE DATES

Interims-

CH Industrials	Dec. 15
Celestion Industries	Dec. 12
ERF	Dec. 14
Fitch Lovell	Jan. 19
Lister	Dec. 13
M & G Second Dual Trust	Dec. 14
Plysu	Dec. 13
River & Mercantile	Dec. 13
Safeland	Dec. 12

Finals-

Great Western Resources	Dec. 12
Watson & Philip	Dec. 15

Puri to increase British Syphon stake to 25%

Mr Nathu Ram Puri said yesterday he aimed to increase his stake in British Syphon Industries to 25 per cent.

Mr Puri and Melton Medes, his private industrial company, now hold 14.3 per cent of British Syphon and are opposing the 155p-a-share management buy-out, which they believe undervalues the group.

If Mr Puri and Melton Medes gained over 25 per cent of British Syphon they would be able to equity account that proportion of the company's pre-tax profits into the Melton Medes figures.

Feedback halved

Taxable profits of Feedback, USM-quoted maker of electronic equipment, virtually halved from £241,741 to £125,441, for the six months to September 30, but directors were confident of full year outcome similar to last year.

There is no interim dividend (1.25p).

Turnover amounted to £4.56m, against £4.04m, and after tax of £65,021 (£30,633), earnings per 10p share were given as 0.71p (2.17p).

German buy for Erskine

By Andrew Hill

ERSKINE HOUSE Group, distributor of facsimile and photocopier machines, yesterday made its 10th acquisition since the company's March year-end, expanding into West Germany for the first time.

Erskine, which has been planning a move into Germany for some months, is paying a maximum of DM 8m (£2.48m) in cash for Firma Kurt Brix Kopiersysteme, which services and rents Minolta photocopiers and fax machines in Hamburg. Further acquisitions in other parts of Germany are likely in 1989.

Mr John Chapman, Erskine's finance director, said yesterday: "The German market is very similar to our own, which is what attracted us to it, except it is slightly larger and there are slightly more direct sales by manufacturers."

Erskine is paying an initial DM 7m for Kurt Brix, which employs 21 people and maintains about 1,700 copiers, with a further payment, up to a total maximum of DM 8m, dependent on results in the 16 months to March 1990.

Last week, announcing interim pre-tax profits up 23 per cent, Mr Brian McGillivray, Erskine's chairman, said acquisitions were also planned in the US before the end of 1988.

Oceonics in profit

Oceonics Group, with interests in communication technology and offshore services, swung from losses of £1.04m to profits of £67,000 pre-tax for the half year ended September 30.

Mr Anthony Bryan chairman said the group was looking to make a big acquisition outside of its existing business area.

Reduced deficit for Barbican

Barbican Holdings, property services and industrial holding group whose shares were formerly traded in the market made by Harvard Securities and which transferred to the Third Market last April, reported a deficit of £1.85m for the year to June 30.

The result compared with losses of £1.93m in the previous year and was struck after exceptional debits of £719,000 (£454,000).

A reduction in extraordinary items from £1.7m to £49,000 resulted in a reduced attributable loss of £1.8m (£3.63m), while the loss per share dipped to 0.36p (1.12p).

Mr Alan Milton, chairman, said the group was now solvent and had traded profitably since the year end.

United Biscuits offered safeguards by Royal Bank

By David Lascelles, Banking Editor

The Royal Bank of Scotland and United Biscuits announced yesterday that they had resolved their differences over the bank's lending policies.

Sir Hector Laing, UB chairman, had written to Sir Michael Herries, the bank's chairman, seeking assurances that the bank would not help to finance an unfriendly takeover of UB. He acted after the Royal gave financial backing to Elders IXL to bid for Scottish & Newcastle Breweries, a company with which it has close links.

Following a meeting between Sir Hector and Sir Michael earlier this week, the two said yesterday that they had agreed "on a basis which both enabled the bank to maintain its lending policy and United Biscuits to be satisfied that it had received the safeguards it felt necessary".

The announcement did not elaborate on the terms of the agreement. However it is believed that the bank told Sir Hector that it would never actively encourage a company to take over one of its clients. Nor would it help a non-client finance a takeover of a client.

The Royal has always maintained that it treats all its customers equally, and it believes it has preserved that policy in its accord with Sir Hector.

Evans of Leeds

Taxable profits of Evans of Leeds, property investment and development group, expanded by 9 per cent from £2.77m to £3.02m in the six months to end-September.

Earnings rose to 5.99p, up from 5.495p last time. The interim dividend is lifted to 2.15p (2p).

Canadian buyer may go for Ultramar

By Robert Gibbens in Montreal and Steven Butler in London

SPECULATION continued to grow yesterday that a Canadian buyer might be at hand for the eastern Canadian retail operation of Ultramar, thus removing a major potential obstacle that many analysts have seen to the possible takeover and break-up of the group, whose operations span the globe from Indonesia to California.

Ultramar shares continued rising yesterday following Monday's announcement that Canadian groups acting in concert had acquired 4.3 per cent of Ultramar. The shares closed up 6p at 264p.

Mr Marcel Dutil, who controls Noverco, one of the companies involved, is one of Quebec's three best-known younger entrepreneurs and is thought interested in acquiring control of Ultramar Canada. He controls a publicly-quoted steel products and office furniture group operating in Canada and the US with annual volume of well over C$500m.

But his major coup was acquisition of almost 50 per cent of Quebec's only natural gas distributor, Noverco, early this year. This gained him a group with annual sales of C$1bn and large cash resources.

Noverco's gas distribution business is provincially regulated with guaranteed returns at present around 13 per cent on equity. Other subsidiaries operate in non-regulated fields and one plans an expansion of gas distribution system from Quebec into the north eastern US.

Mr Bertin Nadeau, Mr Dutil's partner in the acquisition of 4.3 per cent of Ultramar PLC with Paribas owns a holding company, Unigesco, which in turn controls Provigo Inc, Canada's second largest food distributor. This company including subsidiaries in the US has sales volume of around C$5bn.

Provigo's interest in expanding in petrol retailing was confirmed in October when it put in a preliminary bid for Texaco Canada. The Provigo is understood to be interested solely in Texaco's downstream operation, which is relatively weak in Eastern Canada. Analysts, however, give Provigo scant chance of succeeding in the bid, since bigger oil companies have expressed interest in acquiring the entire package of assets.

Mr Nadeau, originally from New Brunswick, for a time shared control of Noverco with Dutil and then sold his 10 per cent to Dutil late last year.

Ultramar Canada has its refinery in Quebec City and became market leader in the distribution of petroleum products in Quebec and the maritimes two years ago, after buying the eastern Canada downstream assets of the old Gulf Canada.

It is a highly-rated operation, which has improved markedly since it was acquired. It has small exploration assets in western Canada.

Analysts have speculated since last summer that Dutil, through Noverco, might have its eye on Ultramar Canada. Dutil, with Nadeau, has ample financial capacity to handle a deal worth several hundred million dollars.

UK COMPANY NEWS

Smith & Nephew expands with US healthcare buy

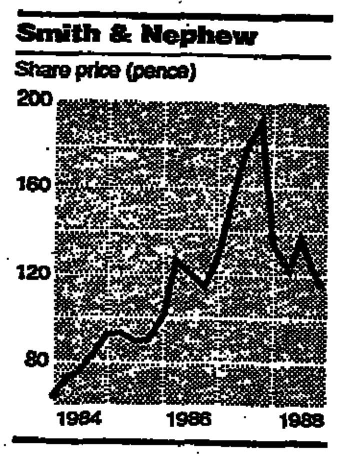
By Ray Bashford

SMITH & NEPHEW is broadening its participation in the international healthcare and health products business through the $236m (£126m) acquisition of a California-based maker of eye lenses for implant surgery.

The purchase of Ioptex, which has pursued a path of rapid expansion since its formation in 1981, follows three other moves by Smith & Nephew into the US market as part of a plan to develop into niche areas of the healthcare industry.

The announcement of the deal coincided with the release of Smith & Nephew's third quarter results which were in line with expectations. Pre-tax profits increased 13 per cent to £85m (£74.9m) during the 40 weeks to October 8 after a 7 per cent growth in sales to £449.6m (£418.5m). Earnings per share rose from 5.6p to 6.2p.

The company's exposure to the dollar partially offset the benefits of a strong performance by US subsidiaries. Without the impact of the decline in the dollar against sterling, sales would have been 14 per cent higher and pre-tax profits 17 per cent higher.



In the UK, destocking by the National Health Service, compounded difficult trading conditions, although the board was encouraged by the first contribution from soap and toiletries group, Albion, acquired last August for £33m.

Ioptex is expected to make a contribution of about £2m to the next year's pre-tax profits after deducting the costs of financing the deal. City analysts therefore adjusted their profit forecasts for 1989 from £143m to £145m after yesterday's announcement of the acquisition and forecasts of earnings per share were adjusted from 10.2p to 10.5p.

To finance the $236m purchase, about $68m will come from Smith & Nephew's existing cash resources and borrowing facilities, $148m by the issue of convertible preference shares and $20m through the issue of ordinary shares to Ioptex shareholders.

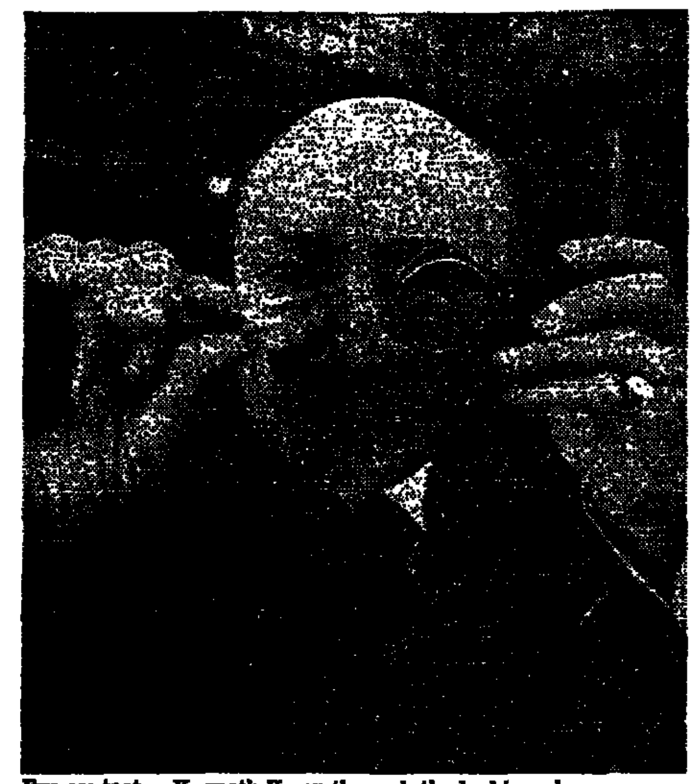
Mr Kenneth Kemp, Smith & Nephew's chairman, said Ioptex has "an outstanding" record of profit growth. During the past four years, the California group has achieved an average annual compound growth in turnover of 44 per cent, rising from $10.3m to $44.6m. Operating profit in the same period has increased from $3.9m to $17.4m, representing a 45 per cent average annual compound growth rate.

Smith & Nephew's other purchases in the US have been Richards Medical Company, Affiliated Hospital Products and Donjoy. Richards was acquired for £192m and as a maker of replacement surgical parts fits most closely with the activities of Ioptex as Smith & Nephew moves more deeply into technology-driven, high margin healthcare businesses.

Ioptex's products are used in cataract surgery as replacements for damaged lenses. In the US almost all major surgery on cataracts involves the use of replacement lenses although in Japan and some European countries the technique is less common. Of the $600m world market for the surgical lenses, $350m is derived from US sales.

The group is the fourth biggest in the market after companies owned by Johnson & Johnson, Nestle and SKB.

The company has established operations in Japan, where most potential is believed to exist, and Smith & Nephew's existing operations in Italy and France provide the potential to aid development in these areas.



Eye contact – Kenneth Kemp through the looking glass.

Kelt set for success in Carless bid after 15m share purchase

By Nikki Tait

KELT ENERGY, oil independent, yesterday looked to be heading for control of Carless, its much bigger bid target, after buying the 15m shares held by Rawda Investments.

The Rawda stake accounts for around 8.3 per cent of Carless, and was not assented to the Kelt bid. Kelt, together with various parties acting in concert with it, now owns a total of 19.8 per cent of the Carless equity.

In addition, Kelt already has London Merchant Securities' 27.2 per cent holding pledged to the deal. At the first closing date, additional acceptances totalled around 9 per cent. Last night, the bidder said that it believed that it was now in control of over 55 per cent of Carless shares.

The bid formally reaches its second close today, and it now seems almost certain that the cash alternative – which Kelt had said would be closed off if the bid could not be declared unconditional as to acceptances – will remain open for a further 14 days, along with all other aspects of the bid.

Ian Clubb – Group chief executive of Carless.

The outstanding question, however, concerns the requirement in the loan agreement with American Express which is putting up money to help fund the £208m offer, that Kelt should control 90 per cent of Carless or such lower amount as may be agreed. No announcement of a lower limit has been made. However, Kelt said yesterday that this issue was being addressed.

The loan agreement provides for a £199.2m facility, which Kelt is required to repay in two tranches over one year.

Rawda's stake sale follows unsuccessful discussion between Carless and Aran Energy, a potential white knight. News that these discussions had been discontinued came late on Tuesday night.

It also follows a ruling by the Takeover Panel that a purchase in June by Mr Alasdair Locke, Kelt deputy chairman, of Carless shares at 125½p could be disregarded in considering the level at which the cash price offered to other shareholders need be pitched. The Panel gave its dispensation under the discretion permitted by Rule 11.2.

It is understood to have considered a number of factors, in particular, Kelt's evidence that no bid was in contemplation at the time, and that the purchase effectively reflected a trading situation.

Carless shares fell from 118½p to 109p yesterday.

Acquisitions the target for James Crean

By David Waller

James Crean, Dublin-based industrial holding group, yesterday announced a complicated series of transactions to give it a quoted vehicle for buying small, high-growth companies.

For a maximum of £8.5m it is acquiring Staples Group, UK-based manufacturer of paper-based cleaning products.

This is to be reversed into Inishtech, venture capital company listed on both the London and Dublin exchanges.

After the deals Crean will have 71 per cent of Inishtech's enlarged equity. It intends to make a bid for the balance but hopes that this will not be wholly successful so that the quote can be retained.

Mr Ray McLoughlin, Crean's managing director, said the Lincolnshire-based Staples was well positioned in a specialist market and had considerable potential. Pre-tax profits had grown from £147,000 in 1984 to £1.24m in 1988.

He described Inishtech as a shell operation. Its present portfolio would be liquidated to bring in cash of some £1m.

From Crean's point of view, a separate listing would help to maintain a distinction in outsiders' minds between the core businesses and the new investment in fast-growing companies. It would also allow mainstream management to concentrate on the core businesses.

Costs hit Birmingham Mint

By Richard Tomkins, Midlands Correspondent

SHARES IN Birmingham Mint, the coin maker diversifying into electronics and engineering, shed 9p to 159p yesterday as reorganisation costs were reflected in near-static interim profits.

The pre-tax figure for the six months to October 1 was £1.65m against £1.62m last time and the extra equity issued in last year's rights produced a drop in earnings per share from 9.1p to 7.7p.

Mr Colin Perry, chairman, nevertheless predicted that the setback would be reversed in the second half and backed up his prognosis with a rise in the dividend from 2.75p to 3p.

The company saw strong demand across its product range with the exception of a fall-off in demand for financial information products from the electronics companies, Mr Perry said. Turnover rose from £16.6m to £22.9m.

However, profits were hit by the combined effects of concentrating the switch contacts business onto one site in Sheffield and the redevelopment of the old mint in Icknield Street, Birmingham.

Since the costs of reorganisation had been taken above the line in the first half, profits from the sale of properties released would be taken above the line in the second half, Mr Perry said.

The rationalisation would also cut overheads by £500,000 a year in the electronics division and £300,000 a year in engineering, the benefits of which were already beginning to flow through.

Redfearn fights on though PLM speaks for 70%

By Philip Coggan

The board of Redfearn, UK glass manufacturing group, is still fighting the £54.5m offer from PLM, Swedish packaging group, even though the latter owns or has acceptances for 70.4 per cent of Redfearn's equity.

Yesterday, Mr David Newbigging, chairman of Redfearn, wrote to shareholders stating that the board continued to believe that PLM's offer significantly undervalued the company and advised shareholders to take no action. PLM has not yet declared its 545p-per-share cash offer to be unconditional but has extended it until December 19.

Mr Nicholas Fry of SG Warburg, the merchant bank advising PLM, said: "PLM owns or has acceptances for 70 per cent and I am confident that the offer will reach a very speedy and amicable conclusion."

FFL boosts Dominion to £4m

By Andrew Hill

THE ACQUISITION of FFL Holdings, film and video production insurance company, pushed interim profits up by 37 per cent at Dominion International, diversified financial and property services group.

Dominion's profits rose to £4.33m before tax in the six months to September 30, compared with £3.17m in the equivalent period, with FFL, which provides completion guarantees for the film and television industries, contributing £2.01m of pre-tax profits.

Turnover increased from £31.8m to £36.9m and earnings per share from 4.84p to 5.5p. Dominion declared an interim dividend of 2.6p (2.5p).

Mr Max Lewinsohn, chairman, said the recovery of the group was underway, but warned about the possible effect of the weak dollar and high interest rates on future business.

Profits from the personal finance division dropped from £854,000 to £576,000 in the first half, but Mr Lewinsohn said he expected an improvement in the six months to March 30, traditionally a stronger period for personal finance products.

Dominion's computer equipment leasing business in the US, Transnational, improved from £1.43m before tax to £1.61m, despite being held back on translation by adverse exchange rates.

The core property services business, building upmarket villas in Spain, experienced a 30 per cent drop in sales, and pre-tax profits fell slightly from £1.88m to £1.84m. Mr Lewinsohn said the downturn might have resulted from a combination of the stock market crash and higher interest rates curbing spending on the luxury units, which sell for between £120,000 and £350,000.

Dominion said The Adventures of Baron Munchausen, a film which ran over budget and time limits, had now been delivered to Columbia and FFL's future profits would not be affected by further claims. Before it was acquired by Dominion, FFL paid out about £2.5m to cover claims, although the provisions did not affect these figures.

Castle placing

Castle Communications, a USM-quoted company, is to raise a net £1.6m via a placing and open offer. It is to issue 385,962 ordinary 5p shares at 270p on a one-for-ten basis and 600,000 11.25 per cent preference shares at par.

The offer will close on December 30. Application will be made for the shares to be dealt on the USM. They will not rank for this year's final.

ADT to sell US office cleaning side for $69m

By Clay Harris

ADT, international services company, is to sell its US office cleaning business for $69m (£37.6m) cash to International Services System.

The disposal follows ADT's sale earlier this year of its European commercial cleaning operations to BET for £44m. Mr Michael Ashcroft, chairman, said the sale reflected ADT's desire to deploy its resources in higher margin sectors.

The US businesses being sold produce operating profits of $6.5m on turnover of $200m.

One area into which ADT, formerly Hawley Group, wants to continue expansion is security services. However Mr David Hammond, finance director, declined to comment on ADT's intention towards Holmes Protection, a London listed US security company.

In October, ADT filed notice with the US Securities and Exchange Commission that it intended to buy a voting interest in Holmes, which yesterday had a stockmarket capitalisation of £82m.

Leigh Interests

Leigh Interests, whose results were reported in the Financial Times on December 6, have asked us to state that no untreated waste is deposited in the mineworkings at Walsall.

The company says that the wastes deposited are liquids, all wastes are analysed and treated prior to disposal, and enter the mineworkings through a stainless steel bore hole specially drilled by the company.

The waste disposal facility, the company says, is rigorously monitored with 24-hour continuous sampling: waste is released from storage tanks only after analysis of the samples.

Acquisitions boost Hazlewood

By Philip Coggan

HAZLEWOOD FOODS, acquisitive foods group, yesterday announced a 45 per cent increase in pre-tax profits to £20.1m in the six months to September 30.

About half the increase on last year's £13.86m was attributable to recent acquisitions and about half from organic growth.

Mr Dennis Jones, finance director, said the group was likely to sell its 3 per cent stake in Northern Foods "at some point in the future".

Earlier in the year, news of the stake prompted speculation that Hazlewood might launch a full bid.

Hazlewood, which has grown via a long series of acquisitions of small, private companies, has recently turned its attention towards Europe.

In October, it acquired 90 per cent of Heiploeg Beheer, a Dutch seafood company, for £8.7m. European profits now contribute 22 per cent of pre-tax profits.

The one problem area so far this year was the tomato-growing business, where profits fell by £1m from last year, because of bumper crops in Greece and Spain.

Trading profits were £21.76m (£14.94m) on turnover of £206.8m (£153.8m). After interest of £1.63m (£1.06m), tax of £5.73m (£3.74m) and minority interests of £380,000 (£132,000), earnings per share were 7.39p (5.87p).

The interim dividend is being increased to 1.5p (1.125p).

● COMMENT

Another set of exemplary figures from Hazlewood which, in these dismal days for the stock market, only caused the shares to shed 1p to 218p. Hazlewood gave the market a nasty shock earlier this year, when it appeared to be stalking Northern, since it had built up a reputation of growth through small, rather than large, acquisitions. The earnings growth that Hazlewood is consistently producing will eventually restore the kind of premium rating the group used to have – but for the moment, traders are looking at food companies in terms of brand-names and bid speculation. That means that the shares, on a prospective p/e of 13.5 assuming pre-tax profits of £46m for the full year, are unlikely to prove exciting for a while.

Strong pound cuts Allied Colloids profits to £16m

By Vanessa Houlder

THE STRONG pound has "seriously affected" the performance of Allied Colloids, Bradford-based industrial chemicals manufacturer, which yesterday announced a decline in pre-tax profits from £16.9m to £16m for the six months to October 1. Turnover increased from £79m to £84.9m.

The company, which makes a third of its sales in North America, estimated that the strength of sterling cut profits by £4.2m in the first half. However, as a result of a hedging exercise, it expected the effect of exchange rates would be less severe in the second half.

In an effort to reduce its exposure to currency fluctuations, the company is investing $16m (£8.64m) in US manufacturing facilities which should double the proportion of US manufactured goods to 40 to 50 per cent of the whole.

The price of Allied Colloids' major raw material, acrylonitrile, moved slightly in its favour although the trend for most other raw materials was negative.

Mr John Binnie, sales director, said that although some markets were flat, the company was reasonably happy with its sales growth and margins, which showed a slight upward movement.

Interest receivable increased from £272,000 to £415,000. The company's cash balance at October 1 stood at £15m.

Earnings per share fell from 4.16p to 3.86p. An unchanged interim dividend of 0.65p was declared.

● COMMENT

For the past year, investors have been gritting their teeth waiting for sterling's strength to take its toll on Allied Colloids, which sells four-fifths of its output overseas. Accordingly, these dismal results came as little surprise to most analysts and the share price fell just 1p to 110p. The currency hit for the full year is likely to measure at least £6m, which will leave pre-tax profits flat at about £35.5m. That puts the shares on a prospective p/e multiple of 12 – which, on the face of it, looks a touch expensive in the short term. One supportive factor is the long-standing stake held by the Weston family which, on inching over 5 per cent two months ago, prompted speculation that the company could now be in play. Another, and probably less tenuous, source of support is the view that Allied Colloids is a well-managed, innovative company that should outperform if and when the dollar strengthens.

YRM to acquire Anthony Hunt

YRM, the building design consultancy, is to buy Anthony Hunt Associates, a structural and civil engineer, for up to £1.6m in cash and shares, its first acquisition since coming to the market in April 1987.

Initially, YRM is to pay £1.2m – 1.125m new ordinary shares and £120,000 in cash – with a further £400,000 in shares and unsecured debentures dependent on profits in the year to April 30 1989.

Drop in interest charges and contribution from property trading underpin 36% rise

British Land up to £32m though shares fall

By William Cochrane

ON A WEAK day for property shares, The British Land Company reported profits for the half-year to September 30 up 36 per cent to £32m and saw its shares fall by 14p to 338p.

Net rental income rose by £2m to £19.8m and profits on property sales by £2.4m to £14.7m. A major contribution was made by a £3.2m drop in interest charges, to £4.8m. The interim dividend is raised by 13 per cent to 1.63p (1.44p) a share.

Mr John Ritblat, chairman, said yesterday that property sales had realised £136m since March 31, while purchases were £60m, excluding the agreed acquisition of the outstanding 25 per cent of the freehold interest in the East Kilbride shopping centre.

On development, he said that ventures in Dublin were going well: the St Stephen's Green shopping centre had had a very successful debut; and the first office building in the 27-acre, I£250m Custom House Dock development, is now under construction.

In London, projects at Seething Lane, EC3, and the City Harbour scheme were on schedule, and the first phase of the Euston Centre redevelopment has began.

The company has entered a joint venture in Holland with MBO, a subsidiary of NMB Bank, to build the Atrium building adjacent to the World Trade Centre in Amsterdam. The first phase, a 370,000 sq ft office building with covered car parking for 900 cars, is well advanced; and British Land has an option over the 280,000 sq ft second phase.

Mr Ritblat said that the second half should see further progress in maximising returns from the company's predominantly freehold portfolio. Net debt, he said, had been reduced to £170m.

● COMMENT

Analysts reckon that British Land will be showing net assets of 520p a share by the end of next March, so it will have reduced its gearing – net debt to shareholders' funds – from over 60 to something like 15 per cent at just the right time. However, some of them are lukewarm about the share price, which indicates a 35 per cent discount to prospective asset value compared with 34 per cent for Land Securities, which usually gets a much higher rating. The company's relatively big contribution from property trading is not as popular as it used to be, but at least it is a long standing component in British Land's performance. The commitment to development is less so, but last week's appointment to the board of Stephen Kalman, previously senior executive of the development arm, suggests a busier future in this department.

John Ritblat – property sales realised £136m since March 31

Confident outlook as Cape advances to £6.3m

CAPE INDUSTRIES, with interests in building products and industrial contracting, raised first half pre-tax profits from £4.68m to £6.31m.

Export sales increased by 17 per cent and further growth was forecast by the directors for the remainder of the year following the creation of a new marketing company in Hong Kong and the strengthening of marketing activities in Europe.

Turnover for the half year to September 30 pushed ahead from £74.15m to £81.12m. Operating profits broke down divisionally as to building products £5.7m (£4.7m) and industrial services £1.44m (£1.1m).

Compensation for industrial disease accounted for £625,000 (£650,000) and central costs for £632,000 (£419,000). Interest income amounted to £427,000 (debit £25,000).

Earnings worked through at 10.7p (8.7p) or 10.3p (7.9p) fully diluted. The interim dividend is being increased to 2p (1.5p).

The group is 68.8 per cent owned by Charter Consolidated.

Property disposal helps BTP

By Vanessa Houlder

BTP, specialist chemical and industrial group, yesterday announced a 21.5 per cent increase in pre-tax profits from £4.6m to £5.6m for the six months to September 30. The result included a £1m exceptional profit on property disposal.

Mr Robert Martin, finance director, said that most of its markets continued to be buoyant.

The second half of the year had started well and the company was confident about its prospects.

The results reflect the sale of nine businesses, formerly part of Barrow Hepburn, acquired by BTP in March 1987.

This elimated £8.8m of turnover and £493,000 of operating profits and also contributed to a fall in interest charges from £673,000 to £288,000. Total turnover fell to £44.77m (£51.47m).

BTP's recent acquisitions, which comprised two Georgia-based chemicals companies and a UK adhesives business costing a total of £5m, did not make any contribution to the results.

The exceptional profit arose from the sale of the London premises of the safety equipment division following the relocation of the business.

Earnings per share increased from 5.01p to 6.65p. The interim dividend was increased by 11 per cent to 2.5p (2.25p).

● COMMENT

These results met with a somewhat lukewarm reception in the City – thanks, in part, to an unexpected property profit – and the share price dropped by 6p to 129p. However, the tar company turned speciality chemicals company has some staunch supporters. They point to BTP's strong record on innovation and in particular its new chemicals for textile, carpets and facsimile paper. On this score, the star performer is likely to be Mydrin, a flame retardant finish. As market leader in this field, BTP should benefit from new legislation requiring these finishes for upholstery in the UK and the US, where it is being introduced with the help of its new US subsidiary. With its broad spread of businesses, BTP can be cast as a more defensive share than some in its sector. Its storage operations, for example, which tend to underperform in boom conditions could prove a good defensive plank in harder times. Assuming pre-tax profits of £11m in the full year, BTP is reasonable value on a multiple of 10 and a prospective yield of 7 per cent.

Secure Trust is joining market with £20m value

By Philip Coggan

SECURE TRUST, financial services group, is joining the main market in a placing which values the group at a little less than £20m.

The company's main business is a home money management service. Customers make regular weekly monthly payments and in return their liabilities, such as gas bills and rates, are met. Secure receives a management fee for providing the facility.

Other services offered by the group include insurance broking, lending and travel agency. The home money management business contributed 58 per cent of the group's turnover.

The company was part of Dow Scandia until a management buy-out in December 1985. The bulk of the £9m proceeds of this offer is being used to redeem preference shares and to reduce loans incurred at the time of the buy-out.

Pre-tax profits in 1987 were £2.3m and are forecast to increase to £3m this year. At the placing price of 140p, the shares are on a prospective p/e of 8.6 and a notional gross dividend yield of 6.75 per cent.

Mr Henry Angest, chairman and Mr Ron Paston, an executive director, are acquiring further shares under the placing. In addition, Charterhouse Bank is placing 4.74m shares, around a third of the equity, at 140p.

New London disposal

NEW LONDON Oil, gas and oil exploration and production group, announced that it was disposing of New London Oil Inc, its wholly-owned US subsidiary, to KenCope Energy Companies, Nasdaq-quoted well-servicing and oil and gas company.

In return, New London will be issued a further 5.6m shares in KenCope, where it already has 43 per cent of the common shares, and a fully-diluted interest of 55 per cent. The new shares will take New London's interest in KenCope common stock to 76 per cent.

However, it is intended that KenCope itself will issue up a maximum of 4m new shares, via a private placement, with the price dependent on market conditions at the time of the placing. The money will be used to fund further acquisitions. New London will not take up any of these shares, and its holding will be diluted to about 54 per cent.

At the same time, New London announced a loss before tax of $337,000 (£182,000) in the six months to end-September ($264,000). There was also a $1.3m extraordinary item, reflecting a writedown in oil and gas properties.

However, New London said that the KenCope associate showed a first half profit of $141,000 compared with a loss of $5.6m last time.

Avon profit rises by 42% to over £16m

By Clare Pearson

AVON RUBBER, the tyres and industrial polymers and inflatables concern, achieved a 42 per cent increase in pre-tax profits to £16.3m in the year ended October 1.

The outturn showed most parts of the business reaping benefits from the final phase of Avon's efficiency programme. But at the Motorway distribution chain this drive actually had an adverse effect on results.

Mr Tony Mitchard, chief executive, ascribed a fall in profits of about £200,000, against an expected rise of about £350,000, at Motorway to disruptions caused by a staff training scheme involving outside consultants.

Nevertheless, improvements in the other more profitable areas of Avon meant operating margins rose for the sixth year running, from 6.9 to 8.3 per cent on turnover which stood at £226.86m (£201.53m).

After a £2.18m extraordinary charge for the final net cost of the efficiency programme, and an unchanged 30 per cent tax charge, earnings per share came out 35 per cent higher at 64.4p (47.7p). The final dividend is raised from 7p to 10p, making 14p (10p) for the year.

A £50m capital investment programme, principally at the Wiltshire tyres and rubber mixing plant, is now underway.

There was no profits breakdown, but tyres and industrial polymers were described as handsomely exceeding last time. A 40 per cent improvement in inflatables was said to be particularly creditable since there are no large defence contracts.

Avon also announced yesterday a further acquisition in France. It is paying £1.5m cash to buy Sillinger, an inflatable boat manufacturer in the Loire Valley. During the year, it bought the 35 per cent it did not already own in Avon-ANF, its French holding company.

Within the last month, Avon has withdrawn from the bidding for a major acquisition in the US, but it continues to look for opportunities.

● COMMENT

There was some initial disappointment yesterday that Avon had not achieved £17m pre-tax. But a second look at the earnings per share increase, and the final dividend payment -which at last provides the shares with a respectable yield - cheered most people up. Though Avon's recovery phase is almost over, analysts are still looking for the company to achieve 20 per cent-plus profits growth in the current year, when the miserable margins at Motorway should show an improvement and investment at the core Wiltshire plant will be beginning to provide benefits. Longer term, followers find convincing Avon's strategy of establishing US and French manufacturing bases into which to put its particular skills in polymers and rubbers. All in all, a prospective p/e of about 8 assuming it makes £20m this year is not demanding. But sentiment on the motor sector and worries that it will issue paper for a big acquisition is working against the shares.

Lombard N Central

Lombard North Central, finance house arm of the National Westminster Bank, earned pre-tax profits of £120.1m for the year ending September 30, an increase of 16.5 per cent.

Christian Salvesen at £27m despite sharp setback in US

By David Waller

CHRISTIAN SALVESEN, Edinburgh- based company with interests ranging from food distribution to brick-making, yesterday reported a 14.4 per cent increase in pre-tax profits to £27m for the half year to end-September.

However, profits from the US business dropped from £3.2m to £1.87m because of what Mr Barry Sealey, managing director, described as a "dreadful" first half in the cold-storage operations in California. This prompted a 12p fall in the share price to 150p.

He blamed poor management for the decline, stating that warehousing managers had failed to sell enough storage space. As a result, volumes were less than expected whilst costs had increased to reflect substantial new investment.

Trading profits grew by 32 per cent to £28.13m. Main contribution to growth was provided by industrial services, up 63 per cent to £10.41m.

Group turnover rose from £131.18m to £195.05m. Earnings per share grew to 6.15p (5.46p) and the interim dividend is raised to 1.7p (1.5p).

The strong performance in the industrials business was due to a boom in sales at Salvesen Brick, and an "outstanding" performance at Aggreko, a company which hires out generators in the UK and US.

Profits at the specialist services division, which takes in Salvesen's traditional refrigeration operation as well as specialised distribution services for Marks and Spencer, rose 49 per cent to £9.51m due mainly to an increase in volume after last year's disastrous pea harvest. Distribution profits rose 20 per cent to £6.34m.

The pre-tax result was held back by a sharp drop in other income, which fell from £3.2m to £148,000, reflecting the fact that Salvesen has now all but spent the £55m proceeds from the disposal of its housebuilding business some years ago.

● COMMENT

In absolute terms, yesterday's figures from Salvesen were exactly in line with City expectations. But the make-up of the profit contribution was not: problems in the US were not anticipated, whilst the contribution from the industrial businesses was far greater than expected. This led to the dual reflection that Salvesen has not become any less accident prone (last year its profits were blighted by the impact of the dreadful pea harvest on refrigeration profits) and that – through its bricks business – it is too dependent on the ill-favoured construction sector. But the bad news is not that dramatic, and on the positive side the cold storage business is well positioned to reap the rewards of its heavy investment in Europe in the run-up to 1992 – and there is more to come from Aggreko and the US. The company should make £55m in the full year and at least £60m in the next, putting the shares on prospective multiples of 12 and 11 for 1988 and 1989 respectively.

Cable and Wireless clinches victory in Telephone bid

By Philip Coggan

CABLE AND Wireless, the international telecommunications group, yesterday clinched victory in its £320m bid for Telephone Rentals, the telephone equipment supplier.

When the offer closed at 1pm yesterday, C and W had received valid acceptances in respect of 36.3 per cent of Telephone Rentals' equity. Added to a 29.3 per cent stake which C and W owned, much of which was acquired in a dawn raid last week, that gave C and W a total of 65.6 per cent.

At the first closing date, C and W had acceptances of just 0.4 per cent. But C and W subsequently increased its offer to 340p per share in cash and the weak conditions in the stock market over the last fortnight boosted the prospects of the bid's success, with institutions nervous of the prospects for the equity markets. Telephone Rentals' shares closed up 3p at 337p yesterday.

The acquisition of Telephone Rentals was seen by analysts as vital for C and W which needs to develop the customer base of Mercury, in order to provide a serious challenge to British Telecom in the UK market. News of the group's success helped C and W's shares to rise 7p to 371p yesterday.

Mr Gordon Owen, deputy chief executive of C and W, "We firmly believe that the combination of Cable and Wireless and TR will have major benefits for both companies and for their employees."

Cable and Wireless was advised by Morgan Grenfell and Telephone Rentals by Kleinwort Benson. Telephone Rentals was not making any comment on the news last night.

Victaulic £3m Dutch pipe couplings buy

By Philip Coggan

VICTAULIC, a plastic pipeline company which was privatised via an employee buy-out from British Steel five years ago, has acquired the European pipe couplings business of Dresser Industries for Fl11.5m (£3.2m).

The business manufactures and supplies mechanical pipe coupling and joints and is based in Helden, Holland. "It will add some products, particularly relating to the European gas industry, and it is located in the heart of central Europe, within 100 miles of the Ruhr", said Mr David Stewart, managing director.

"With 1992 in sight, Europe has been the main target for expansion of our pipe couplings business and our turnover there has been growing fast", he added.

On December 6, the Dutch business had unaudited net assets of Fl8.5m and had turnover of Fl15m.

Victaulic joined the stock market in May and has since announced interim pre-tax profits of £3.66m, up 11 per cent over the previous year.

Avesco advances 75%

AVESCO, supplier of broadcast equipment to the television and video industry which earlier this year received a full listing, yesterday announced a 75 per cent increase in pre-tax profits from £1.23m to £2.16m for the six months to end-September.

This came from turnover up 57 per cent to £10.33m (£6.58m) and after tax of £754,000 (£431,000), earnings per 1p share improved 55 per cent to 3.4p (2.2p).

In May Avesco acquired a 45 per cent interest in Spaceward, supplier of computer graphics to the TV industry, and the results include an £80,000 contribution from this holding. In November Avesco acquired the remaining 65 per cent of the shares.

Mr Richard Murray, chairman, said the group's current businesses now had a better balance between the two half-years and was well placed to continue its expansion.

No interim dividend is paid on ordinary shares. Directors said the final dividend would reflect the full year results. Last year's final was 0.75p.

James Latham improves 51%

The encouraging start for the year continued into the second quarter at James Latham, timber merchant, and the company is looking for another good year despite indications that sales would be levelling off in the second half.

Pre-tax profits in the six months to the end of September were up by 51 per cent at £1.85m, against £1.23m, on turnover of £29.64m (£25.63m) an increase of 16 per cent.

The directors said the improvement in margins reflected an excellent performance by the timber centres and an increase in importing activities margins.

They added that the issue of up to £5m cumulative redeemable preference shares 2013 had been authorised but the issue would not go ahead until more attractive terms could be achieved.

Grainger Trust approaches £6m

Profits before tax of Grainger Trust, property investor and trader, improved from £3.96m to £5.92m for the year to end-September. A final dividend of 3.2625p makes a total of 4.2p against a previous 3.33p.

Profits were struck after taking account of a £1.36m rise in property expenses to £3.9m and a rise of £932,000 in interest payable to £6.49m. Earnings emerged at 20.4p (13.7p).

Net assets per share, adjusted for valuations, would amount to £5.78 (£3.63) before tax, which would arise on disposals.

City Site nears £4m

City Site Estates, property investor, increased profits before tax from £790,000 to £3.68m for the year to September 30.

The figures included property disposals amounting to £4.35m (£1.23m) and were struck after taking account of a sharp rise in interest to £3.56m (£1.96m). Rental income improved to £3.72m (£2.13m).

Basic earnings emerged at 15.32p (5.99p) and a final dividend of 0.67p lifts the total from 1.12p to 1.34p.

Sound Diffusion

Mr Christopher Morris and Mr Tony Houghton of the accountancy firm Touche Ross have been appointed receivers of Sound Diffusion, the electrical equipment leasing group.

Albion ahead

Albion, clothing manufacturer, raised its turnover from £8.04m to £9.69m and its profits before tax from £382,000 to £764,000 for the year to end-September.

Earnings totalled 12.1p (7.3p) and a final dividend of 1.4p makes a total of 2.4p (2p).

Bula Resources

Bula Resources (Holdings), Dublin-based explorer for and exploiter of oil and gas, reported pre-tax profits of I£61,000 (£51,000) for the six months to June 30. Turnover at this USM-quoted company was £546,000.

The profit was largely attributable, the company said, to its share of oil production from the Buchan field in the North Sea and to oil and gas production from the Main Pass 41 field in the Gulf of Mexico.

PUBLIC WORKS LOAN BOARD RATES

Effective December 7

Years	Quota loans repaid by EIP†	Quota loans repaid A††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A††	Non-quota loans A* repaid at maturity§
1			12⅛			12⅞
Over 1 up to 2	12	12	11½	13	13	12¼
Over 2 up to 3	11⅝	11⅝	11⅛	12⅝	12½	11⅞
Over 3 up to 4	11⅜	11⅜	11	12⅜	12¼	11¾
Over 4 up to 5	11¼	11⅛	11	12¼	12⅛	11¾
Over 5 up to 6	11⅛	11⅛	11	11⅝	11⅝	11½
Over 6 up to 7	11⅛	11	10⅞	11⅝	11½	11⅜
Over 7 up to 8	11	11	10¾	11½	11½	11¼
Over 8 up to 9	11	11	10½	11½	11½	11
Over 9 up to 10	11	11	10⅜	11½	11½	10⅞
Over 10 up to 15	10¾	10⅜	9⅞	11¼	10⅞	10⅜
Over 15 up to 25	10	9¾	9½	10½	10¼	10
Over 25	9⅝	9⅜	9⅜	10⅛	9⅞	9⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMPANY NOTICES

BOND TRUST OF THE WORLD

(Mutual Fund organized under the laws of the Grand-Duchy of Luxembourg)

NOTICE OF DIVIDEND ON TYPE "A" SHARES

Pursuant to article 17 of the management regulations of the Fund, the board of directors of World Bond Trust Management Compagny, on December 5, 1988, decided to distribute, for the fiscal year ended on September 30, 1988, a dividend to be paid out of the net distributable income (which comprises the net investment income of the Fund and the net investment income prorated on the net issues and repurchases of Fund shares during the accounting year of the Fund) and of the net realized capital gains of the Fund.

This dividend was fixed at U.S. $ 2,24 per share and will be paid, on and after December 9, 1988, to holders of type "A" shares of the Fund issued and outstanding as of noon (Luxembourg time) on December 5, 1988 which constitutes ex-dividend and record data.

This dividend will be paid:

1. to holders of type "A" shares in registered form and to holders of confirmations of type "A" shares not physically created, through the principal paying agent by transfer or cheque pursuant to the instructions given to him by holders of such certificates or confirmations, and

2. to holders of type "A" shares to bearer, against coupon no 7.

The following banks at the offices indicated will act as paying agents for the type "A" shares of Bond Trust of the World:

— in the Grand-Duchy of Luxembourg:
Société Générale Alsacienne de Banque
15, avenue Emile Reuter, Luxembourg

— in France:
Société Générale
29, Boulevard Haussmann, F-75009 Paris

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
LUXEMBOURG BRANCH

COMPANY NOTICES

CORRECTION NOTICE

ITALEX LIMITED

US$ 230,000,000
Unsecured Floating Rate Notes
due 1989 to 1992

On November 21, 1988, Notes for the amount of US$ 28,750,000 have been drawn for redemption at par on the next Interest Payment Date, i.e. January 3, 1989.

The following Notes will be redeemable coupon No. 7 and following attached:

00015	00089	00157	00244	00371	00465	00568	00653	00727	00823	00885
00017	00098	00168	00272	00377	00466	00572	00665	00739	00828	00887
00031	00099	00171	00275	00382	00474	00580	00669	00740	00830	00889
00051	00102	00188	00278	00406	00499	00583	00670	00749	00849	00912
00056	00104	00200	00282	00407	00504	00599	00677	00755	00851	00915
00060	00107	00203	00292	00410	00531	00609	00682	00760	00856	
00064	00113	00206	00296	00417	00539	00610	00686	00765	00857	
00066	00124	00207	00306	00430	00551	00611	00690	00780	00858	
00069	00135	00219	00341	00456	00553	00622	00693	00783	00868	
00075	00138	00234	00347	00458	00558	00633	00713	00810	00869	
00080	00150	00235	00364	00460	00562	00652	00724	00822	00873	

Amount outstanding: US$ 201,250,000

Luxembourg, December 2, 1988

The Principal Paying Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE
CANADA - UNITED KINGDOM FREIGHT CONFERENCE
NOTICE TO SHIPPERS AND CONSIGNEES
SERVICE AND TERMINAL CHARGES IN CANADA
GREAT LAKES ADDITIONALS
CURRENCY ADJUSTMENT FACTOR

The member lines of the above conferences operating services between the United Kingdom, Northern Ireland and the Republic of Ireland and Canadian Maritime, St. Lawrence river and great lakes ports have to advise shippers and and consignees that consequence upon an announcement of an increase in Canadian rail freight charges also an increase in wharfage charges it is necessary that these increases in third party charges be reflected in the great lake additionals and service and terminal charges in Canada. Details of the new charges effective 1st January 1989 may be obtained from any of the undermentioned lines.

CURRENCY ADJUSTMENT

The member lines wish to refer to the previous press announcement in September 1988 regarding the levels of currency adjustment factor and would advise that for the period 1st January to 31st March 1989 the following levels will apply:-

Ocean rates as published
I.E. service 1, 2 and 3 rates
7.8 per cent surcharge

Section 2, 3, and 4 rates
6.24 per cent surcharge

Atlantic Container Line B.V.
Canada Maritime Ltd
Cast (1983) Ltd
Hapag Lloyd AG
Orient Overseas Container Line (UK) Ltd

Canadian Atlantic Freight Secretariat Ltd
Secretaries

Stoner House, Kilnmead
Crawley, West Sussex RG10 2BG

December 1988

THE ROYAL BANK OF CANADA
US$300,000,000 Floating Rate Debenture Notes due 2085

NOTICE IS HEREBY GIVEN that for the interest period commencing 9th December 1988, the notes will bear interest at the rate of 9½% per annum. The interest payable on 9th March 1989 against coupon 12 will be US$23.75 per US$1,000 nominal.

Agent Bank
ORION ROYAL BANK LIMITED

LEGAL NOTICES

PAPER FOR PUBLISHING LIMITED
(REGISTERED NUMBER 1452780)

We, Robin Michael Addy and Christopher John Hughes of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ were appointed Joint Administrative Receivers of Paper for Publishing Limited by The Royal Bank of Scotland Plc on 30th November 1988.

R.M. Addy
C.J. Hughes
Joint Administrative Receivers

LEGAL NOTICES

CONNAUGHT MACMILLAN PAPER LIMITED
(REGISTERED NUMBER 1303549)

We, Robin Michael Addy and Christopher John Hughes of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ were appointed Joint Administrative Receivers of Connaught Macmillan Paper Limited by Royal Bank of Scotland plc on 30 November 1988

R M Addy
C J Hughes
Joint Administrative Receivers

CONNAUGHT PAPER SALES LIMITED
(REGISTERED NUMBER 1783516)

We, Robin Michael Addy and Christopher John Hughes of Cork Gully, Shelly House, 3 Noble Street, London EC2V 7DQ were appointed Joint Administrative Receivers of Connaught Paper Sales Limited by The Royal Bank of Scotland Plc on 30th November 1988.

R M Addy
C J Hughes
Joint Administrative Receivers

G.R. MACMILLAN PAPER (MIDLAND) LIMITED
(REGISTERED NUMBER 1584771)

We, Robin Michael Addy and Christopher John Hughes of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ were appointed Joint Administrative Receivers of G.R. MacMillan Paper (Midland) Limited by The Royal Bank of Scotland Plc on 30th November 1988.

R.M. Addy
C.J. Hughes
Joint Administrative Receivers

E.M. AGENCIES LIMITED
(REGISTERED NUMBER 1469890)

We, Robin Michael Addy and Christopher John Hughes of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ were appointed Joint Administrative Receivers of E.M. Agencies Limited by The Royal Bank of Scotland Plc on 30th November 1988.

R M AddyC J Hughes
Joint Administrative Receivers

E.M. PAPER (WHOLESALE) LIMITED
(REGISTERED NUMBER 1583954)We, Robin Michael Addy and Christopher John Hughes of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ were appointed Joint Administrative Receivers of E.M. Paper (Wholesale) Limited by The Royal Bank of Scotland Plc on 30th November 1988.

R M Addy
C J Hughes
Joint Administrative Receivers

COMMODITIES AND AGRICULTURE

EC threatens to get tough on setaside deadline

By Tim Dickson in Brussels

THE European Commission yesterday threatened to get tough with member-states which fail to introduce a land setaside scheme by the year's end.

A statement issued in Brussels yesterday said the commission would open infringement proceedings under article 169 of the Treaty of Rome against any country which had still not implemented the scheme by the December 31 deadline.

As a first step this would certainly involve the despatch of a reasoned opinion. It could be followed by action in the European Court.

The plan for paying farmers to take land temporarily out of production should have been introduced in national legislation across the European Community by July 14.

The plan was endorsed by EC Heads of Government in February to complement automatic price cuts and quantity restrictions known as the stabiliser package.

However, in practice the commission accepts that real administrative and legislative problems conspired to delay implementation in some cases.

Four member-states – Luxembourg, Italy, Denmark and Greece – have yet to win approval from their parliament or state council. Portugal is not obliged to apply the measure.

Of those schemes which have been introduced, the West German one appears to be the most successful, with about 170,000 hectares already set aside.

In the UK, where the Government was quickest off the mark announcing plans, about 60,000ha have been taken out of production. The only other member-state to claim concrete results is The Netherlands, with 500ha.

In Belgium several applications have been received from farmers. In France there has so far been no response to the formal launch of the scheme in the middle of last month.

In Spain the scheme has just been published but application-forms have not been made available to producers. A scheme in the Republic of Ireland may be formally unveiled this week.

Setaside can operate in the form of fallowing – including so-called green fallowing, that is turning land back to pasture; or the land can be permanently transferred to other uses.

CAP refund backlog reduced to £35m

By Bridget Bloom, Agricultural Correspondent

THE £135m backlog in paying refunds to companies exporting under the Common Agricultural Policy has been cut to £35m in recent months but considerable problems in processing such payments remain, UK MPs were told yesterday.

The House of Commons Public Accounts Committee, the all-party watchdog on government spending, yesterday examined Ministry of Agriculture officials on the delays.

The refunds are made to exporters of CAP-supported produce to make up the difference between high prices at which they buy internally and generally much lower world prices at which they export.

Mr Guy Stapleton, chief executive of the Intervention Board for Agricultural Produce, told the committee much of the backlog was cleared. Further, compensation for delay had begun to be paid in October and now totalled about £750,000.

However, he said he was not surprised at examples which MPs quoted of companies still owed between £1m and £2.5m, due up to 12 months ago.

The main reason for delay was continuing difficulties installing a computer system, he said. However, staff shortages were also critical.

Although, last August, the Minister of Agriculture had hoped the computer would be fully operational by September, Mr Stapleton acknowledged important parts of it would not be ready before 1990. There would not therefore be a fully reliable system before then.

The committee was examining officials on a report from the National Audit Office, concerned with CAP implementation in Britain. The report criticised lack of clarity in publicly-available information on CAP.

Mr Derek Andrews, the ministry's Permanent Secretary, said the Government accepted the recommendations that a more coherent account of transactions should be produced, but he doubted if this would be possible before the 1990 public spending white paper.

PNG mine set back by more arson

By Chris Sherwell in Adelaide

BOUGAINVILLE COPPER and gold mine in Papua New Guinea, shut at the weekend by sabotage, yesterday suffered two more arson attacks which will further delay resumption of production.

Closure comes when the world copper market is tight, and means losses of about A$1.8m a day for CRA, Bougainville Copper's Australian parent.

But it is a bigger problem for the Port Moresby Government which depends on the mine for revenues and export earnings and is seeking foreign investment.

Attacks are attributed to a group of militant landowners who say they have missed out on compensation for resource exploitation and land degradation. They are demanding huge payments, equivalent to A$14bn(£6.6bn).

Yesterday a maintenance building was set on fire in the first attack on a big residential town on Bougainville island. Another fire hit a telecommunications station on a mountain near the mine.

Bougainville Copper repeated that production would not resume until it was satisfied employees and assets were secure. It said: "The company continues to press the National Government for the appropriate upgrading of security arrangements on the island."

On Sunday a power tower was damaged by explosives, stopping production. It was the second such attack in three days. Power was restored on Monday but the company decided not to resume production. The sabotage began more than a week ago with arson attacks

The Government sent in extra police. It may declare an emergency. Reports from Port Moresby yesterday said police were ordered to shoot to kill saboteurs.

The Government was similarly involved restoring order recently at Ok Tedi copper and gold mine operated by Broken Hill Propietary, Australia's largest company. There, mineworkers rampaged in an industrial row.

Bougainville Copper warned the Government of the damage such incidents can do to the country's reputation as a place for mining companies to invest.

The company says the mine contributed 44 per cent of PNG's export income since commercial production began in 1972, and 14 per cent internally generated government revenue through taxes, royalties and dividends.

Diamonds are not for ever in Botswana

Nicholas Woodsworth on the challenge facing Africa's fastest-growing economy

GABORONE, AS befits the capital of the country with Africa's fastest-growing economy, is a boom town. Set on the wide, grassy veld of south-eastern Botswana, its industrial parks, outlying residential sections and busy commercial areas have a new, raw feeling.

Building-cranes rise on different sites almost daily; heavy earth-moving equipment rumbles and rattles around the city's edges; and, freshly-paved highways lead to zones newly-laid out but not inhabited.

There is at least one building in town though, that, however new, imparts a confident air of solidity and permanence. Known simply as the BDVC, it is saved only by cosmetic architecture and surrounding flower-gardens from looking like what it actually is – Botswana's equivalent to Fort Knox.

This is the Botswana Diamond Valuing Company building. Through it, in the form of rough, uncut diamonds – a record 13.2m carat-worth last year alone – passes the wealth that has generated the surrounding city's economic surge.

BDVC is a subsidiary of Debswana, the sole diamond-mining concern in the country. Debswana is owned in equal shares by the Botswana Government and De Beers Consolidated Mines, the mining giant based over the nearby border in Kimberley, South Africa.

From distant Europe the prospect of a black African, avowedly anti-apartheid state on the so-called front line doing business with a leading South African company might seem incongruous.

However, closer up the viewpoint is changed by inescapable economic realities. So profitable has the nearly 20-year relationship been for both parties that not even numerous South African Defence Force raids on African National Congress targets in Botswana have weakened ties between government and its foreign partner.

Botswana was among the world's 20 poorest countries at independence in 1966. The country, about the size of France but with fewer than 500,000 people and two-thirds of its territory covered by the Kalahari Desert, produced almost nothing. Its sole commodity-earnings came from the export of cattle.

However, the discovery of diamond deposits under the Kalahari shortly after independence has transformed it into one of the richest non-oil exporting countries on the continent.

Botswana could have done little with its new-found resources without the material, technological and managerial aid of De Beers. De Beers is a company that through its London-based Central Selling Organisation (CSO) controls 80 per cent of sales on the world diamond market.

Two years after Debswana was formed of in 1969 its first mine at Orapa came into production, initially producing 2.5m carats a year. By last year this figure had nearly doubled.

In 1977 the smaller, nearby Letlhakane mine came onstream, yielding 300,000 carats a year, an amount increased by more than half over the next decade.

In 1973 De Beers geologists in Botswana discovered the richest kimberlite pipe in the world, at Jwaneng, southern Botswana. It came into production nine years later and last year yielded 7.6m carats.

Botswana, with all three mines now operating at full production, has become the third-largest producer in the world after Australia and Zaire. The Soviet Union and South Africa now trail behind.

Debswana's net income last year for the first time exceeded Pula 1bn - more than US$588m at mid-1987 rates – compared to profits of Pula 544m the previous year.

Most of this rise was attributable not to greater output but to the sale of Debswana's diamond stockpile. In 1981 world diamond prices fell heavily, and for the following three years Botswana stockpiled 15 per cent to 20 per cent of its annual output under CSO quota arrangements.

De Beers, in a deal in mid-1987, bought the entire accumulated stockpile, estimated to be worth US$500m, for an undisclosed sum of money, 20m shares and two seats on the De Beers board.

Diamond prices have continued to rise since the low of 1981, and fears that the stockmarket collapse of October last year would affect sales have been unfounded. Indeed, world demand has risen to such a point that the CSO was able to increase its prices by 13.5 per cent last May. In this first half it sold a record US$2.2bn-worth of diamonds, a 41 per cent rise on the first half of last year.

A CSO report attributes the rise to a sudden popularity of diamonds in the Far East. It notes: "Japanese diamond purchases in particular have been an important factor behind record CSO sales. In yen terms, polished-diamond imports were up 42 per cent in the first five months of the year. With the yen rising against the dollar, diamonds have become more affordable to Japanese buyers."

Diamonds last year accounted for 85 per cent of Botswana's export earnings, and with its three mines now working at full capacity and no further pipe discoveries in sight, its future prospects depend on trends in the world market.

These look positive for the moment but it is highly unlikely that diamond sales will be able to sustain into the 1990s Botswana's average 13.8 per cent a year economic growth rate held over the past 16 years.

Diamond profits have allowed the Botswana Government to build international reserves of more than US$2bn, enough to buy more than 30 months'-worth of imports.

While these reserves are impressive on a continent characterised by declining export profits and growing debt burdens, they do not solve the question of dependence on a single non-renewable resource.

Botswana's greatest challenge now, and a formidable one in view of the country's poor agricultural prospects, is how to best use diamond profits to diversify its economy and promote non-traditional exports.

The problem, in effect, is an alchemist's problem in reverse: how to transform diamonds into coarser, but more useful, stuff.

Potato selling scheme planned

By Our Agricultural Correspondent

BRITAIN's Potato Marketing Board is to urge the UK Government to provide for a new potato marketing scheme after 1991 when the present arrangements are abolished.

The board would submit details of a proposed scheme to the Ministry of Agriculture on December 23, Mr William Sprigge, deputy chief executive, said yesterday.

The board's report will respond to the Government's decision, announced last September, to abolish from 1991 the guarantee arrangements under which it helps to fund the board's market-management and administrative functions.

Yesterday board officials at its annual general meeting in London clearly rejected two of the possible three alternatives suggested by the ministry last September. These would have abolished the board, or abolished controls on acreage of potatoes grown.

Potato producers wanted acreage controls, and thus production quotas, to remain, Mr David Lindsay, the board's new chairman, said.

The arrangements the board will suggest will be similar to present ones. These involve acreage controls, production quotas and a system of intervention or support buying in times of surplus.

However, they will also include a new governing body or committee which would involve producers, processors and consumers and would be designed to have effective control over the board's monopoly powers.

This control is exercised by the ministry, which sets the basic acreage to be grown with potatoes each year. Any system not providing for such independent control would be incompatible with UK and European Community law, Mr Sprigge said.

The board was reorganising, with redundancies likely, Mr Sinclair said yesterday. However, with £15m in reserves it was now financially sound and able to afford the new system without any big rise in producer levies.

These averaged an annual £650 per producer, while to growers the scheme's benefit was worth £14 a tonne, or £80m a year, Mr Sinclair said.

The Government provides about £1.8m a year in direct aid, with extra price support if needed, a facility not used since 1985.

There is no EC potato regime and Britain is the only EC country to support potatoes extensively. About 6m tonnes to 7m tonnes, worth some £500m, are grown annually. The annual value of retail sales of potatoes and potato products is about £2.5bn.

Potato processors and traders, as well as some of the bigger growers, have been markedly less keen than the board on maintaining the present arrangement.

They are expected to make this clear in submissions to the ministry, due in by December 31, the end of the present consultative process.

The ministry, in its consultation paper, said it was hoped to advance legislation in this parliamentary session but this deadline may not now be met.

Five years of plenty seen for base metal producers

By Kenneth Gooding, Mining Correspondent

BASE METAL PRODUCERS will enjoy five more years of healthy financial returns, says Metals & Minerals Research Services, a consultancy. Returns will be at levels unheard of since the early-1960s, with margins over cash operating costs averaging 37.5 per cent.

Prices may slip back from this year's peaks if world economic growth slows next year but are likely to stay significantly above low levels seen at the start of the 1980s, the group says in a review of medium-term prospects for nine exchange-traded metals. It says precious metal producers will do very well if they generate the same kind of profits.

Platinum should stay broadly in balance as long as European automotive industry demand continues to rise. However, gold and silver will continue to suffer from growing surpluses. MMRS says this, in the absence of increased investment offtake, must lead to lower prices.

The analysis, looking at base metals overall, says the steep rise in prices initially was led by high consumption. However, prices are being maintained more by producers' reluctance to reactivate idled capacity.

MMRS says there has been a spectacular fall in base metals stocks – to only 1.1 month's demand at the end of last year from 3.4 months at the end of the preceding year. There has been little change this year. This makes today's speculative markets vulnerable to any widespread reactivation of capacity.

MMRS says the crucial level for industry stock cover is now 1.75 month's demand. However, even though output in the next three years is likely to grow quicker than consumption, base metals stocks are not expected to rise above this critical level at any time in the next five years.

Metals Analysis Five-Year Outlook. MMRS, 222 Strand, London WC2R 1BA. £500.

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC prices continued this week's downward trend on the London Metal Exchange yesterday, while copper continued upwards to near its recent record level. The firmer dollar helped sterling copper prices to improve while further depressing zinc. Most of zinc's decline came in morning trading on news of a return to work by some Peruvian miners, and workers at the Cajamarquilla smelter. Copper prices indicate a short-term test of the recent record, analysts said. On the bullion market both gold and platinum declined, with platinum being fixed in the afternoon below the psychologically important $600 an ounce level. Meanwhile the cocoa market remained flat, with operators sidelined while waiting for concrete news of the proposed deal between France and the Ivory Coast on surplus cocoa supplies.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$11.90-2.00q	+0.35
Brent Blend	$14.60-4.70	+0.37
W.T.I. (1 pm est)	$15.63-5.66q	+0.34
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$171-174	-4
Gas Oil	$143-145	
Heavy Fuel Oil	$67-69	+1
Naphtha	$133-136	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$423.75	-3.50
Silver (per troy oz)♣	617c	+4
Platinum (per troy oz)	$595	-7.25
Palladium (per troy oz)	$127.50	-1.25
Aluminium (free market)	$2475	
Copper (US Producer)	$157\frac{5}{8}$-162c	+1
Lead (US Producer)	$41\frac{1}{4}$c	$+\frac{1}{2}$
Nickel (free market)	670c	
Tin (European free market)	£4035.0	+37.5
Tin (Kuala Lumpur market)	19.60r	+0.01
Tin (New York)	343.25c	-0.25
Zinc (Euro. Prod. Price)	$1500	
Zinc (US Prime Western)	$72\frac{1}{8}$c	
Cattle (live weight)†	112.58p	-0.71*
Sheep (dead weight)†	174.27p	+7.0*
Pigs (live weight)†	81.15p	+0.43*
London daily sugar (raw)	$280.4z	-5.4
London daily sugar (white)	$296.8z	-4.2
Tate and Lyle export price	£260	-2
Barley (English feed)	£111.75q	-0.25
Maize (US No. 3 yellow)	£127	
Wheat (US Dark Northern)	£112.75	+2.75
Rubber (spot)♥	58.00p	+2.00
Rubber (Jan)♥	63.75p	+2.50
Rubber (Feb)♥	64.75p	+2.50
Rubber (KL RSS No 1 Jan)	267.0m	+5.5
Coconut oil (Philippines)§	$580w	
Palm Oil (Malaysian)§	$400	
Copra (Philippines)§	$385	+5
Soyabeans (US)	$178	+2
Cotton "A" index	60.35c	-0.30
Wooltops (64s Super)	600p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. w-Jan/Feb. v-Jan/Mar. u-Mar. q-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	832	840	834 826
Mar	856	860	858 845
May	859	859	860 846
Jul	860	860	862 848
Sep	860	860	855 847
Dec	882	882	881 870
Mar	891	891	887 879

Turnover: 4270 (4524) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 6: 1110.48 (1115.12) :10 day average for Dec 7: 1118.57 (1119.97) .

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1104	1100	1115 1095
Mar	1101	1094	1107 1090
May	1095	1080	1099 1080
Jly	1092	1078	1095 1075
Sep	1092	1078	1090 1078
Nov	1095	1080	1085

Turnover:4727 (3773) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 6 : Comp daily 117.24 (116.73): . 15 day average 115.07 (114.89).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	257.80	251.60	259.20 249.00
May	250.20	245.80	252.20 243.40
Aug	243.60	237.60	243.00 236.60
Oct	238.60	232.20	238.00 231.40
Dec	235.00	231.00	225.00
White	**Close**	**Previous**	**High/Low**
Mar	290.50	285.50	291.50 283.00
May	286.00	281.00	287.00 280.20
Aug	287.00	282.00	282.00
Oct	281.00	277.00	

Turnover: Raw 4466 (3060) lots of 50 tonnes. White 2047 (985).
Paris- White (FFr per tonne): Mar 1725, May 1710, Aug 1710, Oct 1665, Dec 1645, Mar 1645

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2300	172	171	28	112
2400	106	124	62	163
2500	59	87	114	224
Copper (Grade A)	**Calls**		**Puts**	
3000	370	277	47	242
3200	233	196	110	356
3400	135	134	209	490

WOOL
It is beginning to look as if the wool market in Australia has started to strengthen. After a downward drift for some seven weeks the AWC market indicator was up 4 cents on December 7 to 920, after reaching a seasonal low of 916. The rise affects wool throughout the range, however, whereas earlier some strength in bulk types was offset by weakness in finer merinos. On the Bradford market there are signs of increased buying interest and an attempt at firmer selling prices. Quoted prices are scarcely affected so far, the basis being 600p per kg. for 64s merino tops, 438p for 58s fine crossbreds. The industry would welcome a buying movement particularly because without it machinery activity will be widely threatened by February at the latest.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 11,000 tonne
Cash	2465-75	2460-70		2470-5		
3 months	2380-90	2380-5	2400/2375	2380-5	2388-90	22,226 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 11,250 tonne
Cash	1340-50	1275-80		1325-30		
Dec. 21	1305-15	1260-5		1275-80		9,381 lots
Copper, Grade A (£ per tonne)						Ring turnover 37,850 tonne
Cash	1960-5	1910-20	1960/1950	1952-5		
3 months	1694-5	1681-2	1695/1688	1675-7	1694-6	69,050 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	609-12	610-1		608-9		
3 months	623-6	624-6		622-4		443 lots
Lead (£ per tonne)						Ring turnover 6,375 tonne
Cash	401-3	398-9		397-8		
3 months	394-5	390-0.5	395/388	390-1	394-5	11,516 lots
Nickel ($ per tonne)						Ring turnover 486 tonne
Cash	14900-50	14700-900	14950/14900	14850-900		
3 months	13500-50	13400-50	13550/13500	13500-50	13450-500	5,403 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 1,150 tonne
Cash	1550-2	1590-5	1568	1568-70		
3 months	1520-2	1565-80	1548/1525	1545-50	1515-25	1,537 lots
Zinc ($ per tonne)						Ring turnover 9,750 tonne
Cash	1550-2	1585-95	1563	1563-5		
3 months	1505-7	1530-2	1525/1485	1512-5	1496-500	11,694 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	65.0	65.0	
Apr	96.0	96.2	96.1 95.7
May	111.8	112.0	111.5

Turnover 80 (67) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	162.00	155.00	160.00
Feb	165.40	160.50	165.00 163.60
Apr	165.00	160.50	

Turnover 79 (32) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Dec	1485	1480	1488 1476
Jan	1515	1503	1515 1501
Apr	1555	1543	1556 1544
Jul	1358	1340	1360 1350
BFI	1485	1487	

Turnover 334 (139)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	109.80	109.65	110.10 109.70
Mar	113.50	113.40	113.80 113.40
May	116.80	116.70	117.10 116.80
Jun	118.50	118.40	118.75 118.50
Barley	**Close**	**Previous**	**High/Low**
Jan	107.00	106.95	107.10 106.75
Mar	110.40	110.25	110.40 110.10
May	112.25	112.00	112.25 112.00
Sep	99.00	98.15	99.00

Turnover: Wheat 164 (180) , Barley 334 (92) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	$423\frac{1}{2}$-424	230-$230\frac{1}{2}$
Opening	$423\frac{1}{4}$-$423\frac{3}{4}$	$229\frac{3}{4}$-$230\frac{1}{4}$
Morning fix	425.35	229.423
Afternoon fix	422.6	229.284
Day's high	$425\frac{1}{2}$-426	
Day's low	$420\frac{3}{4}$-$421\frac{1}{4}$	

Coins	$ price	£ equivalent
Mapleleaf	436-441	237-240
Britannia	436-441	237-240
US Eagle	436-441	237-240
Angel	434-439	$236\frac{1}{2}$-$239\frac{1}{2}$
Krugerrand	423-426	230-232
New Sov.	$99\frac{3}{4}$-$100\frac{1}{4}$	$54\frac{1}{4}$-55
Old Sov.	$99\frac{3}{4}$-$100\frac{1}{4}$	$54\frac{1}{4}$-55
Noble Plat	615.05-622.1	332.45-336.25

Silver fix	p/fine oz	US cts equiv
Spot	329.70	610.60
3 months	340.15	624.25
6 months	351.10	638.55
12 months	372.05	667.25

CRUDE OIL $/barrel

	Close	Previous	High/Low
Jan	14.30	14.10	14.38 14.21
Feb	14.10	13.90	14.14 14.09
IPE Index	14.08	14.31	

Turnover: 3969 (2403)

GAS OIL $/tonne

	Close	Previous	High/Low
Dec	143.00	141.60	143.25 142.00
Jan	140.00	138.25	139.75 138.75
Feb	136.50	134.75	136.50 135.00
Mar	133.00	130.75	132.75 132.00
Apr	128.75	128.50	130.00 128.75
May	126.75	126.00	126.50 124.00
Jun	125.00	124.25	126.25 125.00
Jul	126.00	124.25	124.00
Aug	126.00	127.00	125.00

Turnover 7679 (6017) lots of 100 tonnes

US MARKETS

RUMOURS OF soviet leader Gorbachkev reducing the size of his military troops sparked higher dollar prices for the second straight day, reports Drexel Burnham Lambert. In the metals gold and platinum markets had the biggest declines. Silver futures were steady due mostly to fund buying. In the softs, sugar prices advanced as scale-up trade buying kept the market firm. Arbitrage buying was featured in the coffee lifting prices up 25 in March. Cocoa futures edged higher as trade buying was seen late in the day. In the grain markets, wheat futures gained $1\frac{3}{4}$ in March as the days only gainer. Strong commercial buying was featured. The soybean complex softened as profit-taking was noted. Corn futures followed the soybeans.In the meats, pork belly prices fell 87 in February as negative fundamentals triggered off some carryover stop-loss selling. The record pace of storage report also weakened the market. Live cattle futures gained slightly as reports of a winter storm in the panhandle increased packer demand. The energy markets continued to trade at higher prices on moderate volume.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	422.8	427.5	424.7	421.0
Jan	425.5	430.3	0	0
Feb	427.7	432.6	430.3	425.9
Apr	433.2	438.2	435.6	431.0
Jun	438.8	443.9	441.0	437.0
Aug	444.6	449.8	445.7	445.2
Oct	450.4	455.7	0	0
Dec	456.3	461.7	459.4	456.0
Feb	427.7	432.6	430.3	425.9

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	603.4	611.8	608.0	597.6
Apr	595.9	602.8	598.0	590.0
Jul	594.9	601.8	595.0	590.0
Oct	594.4	601.8	598.0	590.0
Jan	595.9	603.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	614.0	616.1	628.0	606.5
Jan	618.1	620.6	631.0	613.0
Feb	622.8	626.3	0	0
Mar	628.0	630.5	641.0	621.0
May	638.3	640.9	649.0	632.0
Jul	648.7	651.4	655.6	642.8
Sep	658.7	661.6	666.0	665.0
Dec	674.0	677.0	685.0	668.5
Jan	678.5	681.7	672.0	672.0
Mar	690.2	693.5	686.0	686.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	157.25	151.25	157.50	151.30
Jan	149.80	144.80	149.50	149.50
Feb	143.50	139.20	0	0
Mar	137.30	133.60	137.70	133.50
May	129.00	126.00	129.50	125.60
Jul	124.80	121.80	125.50	121.80
Sep	121.50	118.00	121.00	119.00
Dec	118.00	115.20	117.25	115.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	15.63	15.46	15.65	15.51
Feb	15.34	15.13	15.34	15.18
Mar	15.22	15.03	15.22	15.06
Apr	15.12	14.98	15.12	15.00
May	15.06	14.96	15.06	14.96
Jul	15.01	14.94	15.02	14.99
Aug	15.02	14.93	15.02	14.98
Sep	15.01	14.92	15.03	14.95
Oct	15.00	14.92	15.00	15.00

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	4845	4860	4868	4820
Feb	4770	4789	4780	4730
Mar	4660	4667	4670	4625
Apr	4320	4324	4340	4310
May	4190	4199	4216	4190
Jul	4100	4124	4100	4100

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1419	1417	1422	1385
Mar	1466	1460	1470	1433
May	1470	1464	1471	1439
Jul	1470	1472	1470	1442
Sep	1474	1468	1443	1443
Dec	1486	1480	1478	1459
Mar	1508	1501	0	0
May	1523	1515	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	125.28	125.25	126.50	125.05
Mar	124.34	124.09	124.50	123.86
May	123.00	122.77	123.30	122.50
Jul	122.10	121.89	122.40	121.75
Sep	121.21	120.75	121.30	121.10
Dec	120.88	120.63	121.00	120.50
Mar	119.88	120.00	0	0
May	119.25	115.65	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	10.13	9.80	0	0
Mar	11.47	11.17	11.53	11.03
May	11.18	10.92	11.18	11.02
Jul	10.87	10.58	10.88	10.63
Oct	10.61	10.30	10.61	10.24
Jan	9.76	9.45	0	0
Mar	10.34	10.12	10.07	10.05
May	10.20	10.05	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	59.35	58.75	59.35	57.75
Mar	58.15	56.97	58.22	56.82
May	58.25	57.03	58.25	56.87
Jul	58.35	57.25	58.50	57.00
Oct	57.50	56.75	57.50	57.10
Dec	57.50	56.75	57.50	56.40

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	165.35	165.15	167.00	165.10
Mar	164.00	163.60	165.00	163.50
May	164.90	164.10	165.50	164.60
Jul	164.75	164.70	165.30	164.75
Sep	163.35	163.15	0	0
Nov	161.40	161.40	0	0
Jan	157.50	157.50	0	0
Mar	157.50	157.50	0	0
May	157.50	157.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 6	Dec 5	mnth ago	yr ago
1876.0	1881.2	1863.5	1688.6

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	135.39	135.45	136.35	130.20
Futures	140.20	139.88	139.47	132.80

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	768/0	773/2	776/4	765/4
Mar	781/0	784/6	789/0	778/0
May	786/4	790/6	794/0	785/0
Jul	786/2	789/4	792/4	783/0
Aug	774/4	778/0	782/0	774/4
Sep	722/0	725/4	729/0	716/4
Nov	689/6	693/0	697/0	684/0
Jan	698/0	700/0	703/4	698/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	22.75	22.83	22.90	22.72
Jan	22.91	22.95	23.05	22.85
Mar	23.41	23.45	23.57	23.38
May	23.91	23.95	24.10	23.90
Jul	24.35	24.35	24.50	24.35
Aug	24.40	24.37	24.65	24.40
Sep	24.45	24.35	24.65	24.45
Oct	24.45	24.35	24.70	24.45

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	246.9	248.2	249.7	246.5
Jan	248.1	249.5	250.7	247.5
Mar	247.8	249.7	250.5	246.5
May	244.2	246.5	247.0	243.5
Jul	238.7	240.7	241.5	238.0
Aug	229.0	231.0	233.0	229.0
Sep	219.5	223.0	223.0	219.0
Oct	209.0	211.5	212.0	207.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	259/2	259/0	258/4	254/6
Mar	268/2	269/4	271/0	267/4
May	273/2	274/2	276/0	272/2
Jul	275/4	276/2	278/2	274/6
Sep	259/6	261/0	262/6	259/6
Dec	257/4	257/4	259/4	257/0
Mar	263/4	263/2	265/0	262/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	423/0	420/0	424/0	416/4
Mar	423/6	422/2	425/6	421/4
May	406/6	405/2	408/4	405/4
Jul	379/2	378/6	381/4	378/0
Sep	383/0	382/0	385/0	382/4
Dec	392/0	392/0	394/0	391/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	71.55	71.37	71.95	71.32
Feb	71.47	71.27	71.87	71.20
Apr	73.57	73.17	73.72	73.15
Jun	72.05	71.75	72.20	71.75
Aug	70.07	69.77	70.20	69.75
Sep	69.47	69.20	69.47	69.47
Oct	68.86	68.90	69.30	68.85
Dec	70.20	70.05	70.20	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	40.87	40.62	40.95	40.40
Feb	44.17	43.92	44.25	43.70
Apr	43.10	42.90	43.22	42.80
Jun	47.42	47.55	47.67	47.25
Jul	47.72	47.85	48.00	47.30
Aug	47.25	47.20	47.25	46.90
Oct	44.35	44.30	44.65	44.35
Dec	45.50	45.35	45.50	45.15

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	42.72	43.57	43.57	41.60
Mar	43.25	44.20	44.10	42.50
May	45.30	46.10	45.70	44.25
Jul	46.62	47.10	47.10	45.55
Aug	45.27	46.05	46.10	45.20
Feb	50.00	48.00	50.00	50.00
Mar	50.00	48.00	50.00	0

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LONDON STOCK EXCHANGE

Firm close after a lethargic session

A LATE upturn in the US dollar, on the news that the Soviet Union will make a substantial reduction in its armed forces, helped UK equities to edge higher in late dealings last night. However, the market was unable to regain the day's best levels and London appeared to be waiting to see Wall Street's considered response to Mr Gorbachev's speech to the United Nations.

Turnover in equities was still restrained by the nervous reception accorded in the previous session to Morgan Grenfell's withdrawal from making markets in the London securities markets. The possible implications for the London

Account Dealing Dates		
*First Dealings:		
Nov 28	Dec 12	Dec 28
Option Declarations:		
Dec 8	Dec 22	Jan 12
Last Dealings:		
Dec 9	Dec 23	Jan 13
Account Day:		
Dec 19	Jan 9	Jan 23

*New time dealings may take place from 9.00 am two business days earlier

office property business of the continued pressures on the profitability of City stock market firms depressed property shares.

Equities opened firmly behind Wall Street's renewed gain overnight, and also speculation that Mr Gorbachev might have important news to deliver when he addressed the United Nations in Manhattan. Early gains were steadily whittled away, however, by sheer lack of business in the market place. By early afternoon, share prices were drifting into negative territory in the absence of firm news from New York.

The market responded optimistically to first reports of Mr Gorbachev's speech, on the view that reduced military tensions and spending could eventually benefit the US budget deficit and thus the dollar. The UK export blue chips, such as ICI, BAT Industries and Glaxo, all moved smartly higher. But there was a cautious reaction from the UK defence stocks, and London was somewhat discouraged by Wall Street's sluggish opening.

The final reading on the FT-SE Index showed a net rise of 4.3 at 1771.7, against 1777.8 on the day's first count. Seaq trading, taking in both customer and retail business, increased to 490.1m shares from 466.4m on Tuesday, and the Traded Options market recorded its second most active session since the Crash of October 1987. Activity in Traded Options was regarded as a sign of the market's uncertainty and continuing nervousness.

Good results from Hanson, Saatchi & Saatchi and Bass had little effect on the market as a whole. The consumer sectors remained depressed by the high interest rate environment now pressing on consumer spending.

Mail order issues were additionally discouraged by the threat of a disruption to UK postal services, a factor which helped depress GUS shares significantly.

Meanwhile the British Steel issue which entered the market on Monday afternoon was left to languish, with only 39m shares traded; the last deal struck yesterday was at 60½p, a mere ½p premium on the partly-paid stock.

Hanson results welcomed

Hanson weighed in with annual results above even the highest forecasts and the shares responded with their best performance for months. Turnover expanded to a huge 23m as dealers marked the shares up to 157p, a gain of 5 on the day. There was also extremely heavy activity in the traded options, where 12,645 contracts were traded.

Dealers reported good buying demand as investors sought Hanson's high yield and growth prospects. There was talk of strong US and Swiss demand. "Hanson is now the classic stock for a bear market," was one trader's glowing comment. "It has yield, an excellent growth record, good defensive characteristics and is backed by a cash mountain."

Analysts were quick to react to the figures with strong buy recommendations. Mr Roy Owens at Kitcat and Aitken described the results as: "Another set of superb figures which have left expectations well behind, particularly in terms of the dividend increase. The shares look cheap on a prospective price earnings ratio of 8.3 times, in addition to which the yield on the final dividend alone is some 4.3 per cent." The gross yield on the shares is now thought to be enough to persuade holders of the Hanson convertible bond to use their conversion rights to switch into the stock.

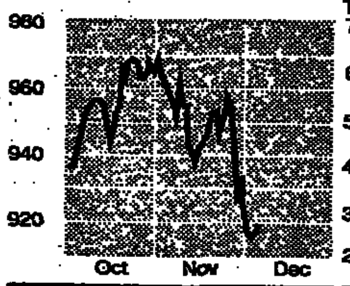
Delta favoured

County Natwest Woodmac, the UK securities house, regards Delta as a good buying opportunity in the electrical and engineering sector. Favourable sentiments helped lift the shares 8 to 260p, a spirited movement in a dull equity market.

County's analyst Mr Sandy Morris says that in an uncertain sector a company stands out if it shows management strength, good cash flow, and a healthy core business. Delta, he suggests, has all three. The company's new management is busy strengthening the company through rationalisation and a series of keenly-bought acquisitions. Delta is also increasingly focusing on the added-value areas of its markets and has begun moving into Europe through the acquisition of Nibco, and into the US through the purchase of FL Surprenant.

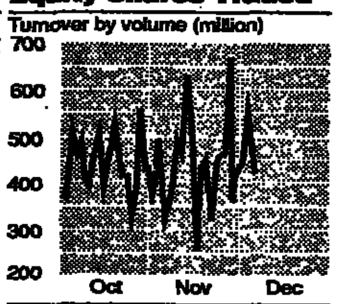
The market appears to be accepting a County estimate that no more than 5 per cent of Delta's turnover is likely to be affected by reduced sales of wiring, and electrical and plumbing fittings, if the construction industry goes off the boil.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



News of the proposed cutbacks in Soviet military spending and speculation that these could be met with similar moves by Nato caused a tremor in defence-related areas of the market.

The initial reaction from one of the leading analysts in the sector was: "There is a long way to go before any major cutbacks are effective, but, yes, it looks as if progress is definitely being made in conventional arms control."

Dealers in the electronics issues said that share prices were marked down, "all on sentiment being hit, there was little or no selling pressure."

The news tended to unsettle GEC which eased from a morning rise to close unchanged at 178p, after turnover of 7.5m shares. Mr Miles Saltiel of Hoare Govett, says GEC shares are undervalued on strong and well covered dividend advances, imminent benefits from European reconstruction moves and a strong base of profitable operations.

Plessey settled a fraction harder at 217p on turnover of 2.7m with dealers awaiting the offer document from GEC/Siemens expected next Wednesday. Ferranti was a shade easier at 93p, after a profits downgrading by Flemings Research.

Cable & Wireless moved up 7 to 371p after gaining control of Telephone Rentals after a long-drawn out battle. Racal Electronics, due to announce interims on Tuesday, picked up 6 to 264p with turnover reaching 3.7m.

The only light amongst the Stores gloom was Burton Group, up 2 to 174p after analysts left the party held by the group at its West End flagship Harvey Nichols on Tuesday night with the firm impression that Burton is trading better than expected.

GUS was quickly marked down ahead of today's interims, the "A" shares closing 29 off at 946p. Several houses downgraded the stock, including Morgan Stanley which is going for £162.5m and Kitcat & Aitken which reduced its forecast to £162m. GUS is just one of 13 stores to have been downgraded by Kitcat this week.

Jewellery group Ratners is another to have suffered from downgradings. James Capel dropped its 1988/9 forecast to £73.5m from £75m and another leading house is due to downgrade Ratners today. The group's shares closed 3 easier at 173p.

Stores with mail order interests were weaker on fears of another postal strike.

Leather goods manufacturer Pittard Garner climbed 8 to 200p after speculation that the food group Hillsdown Holdings might launch a counter-bid to Strong & Fisher's £41m offer for Pittard. Hillsdown has asked the Office of Fair Trading whether it would refer to the Monopolies and Mergers Commission either any bid it might make for Pittard or any increase in its existing 16.6 per cent stake. At the close, Strong & Fisher was down 2 at 231p and Hillsdown 4½ weaker at 245½p.

The withdrawal by Aran Energy from bid talks with Carless Capel saw the latter's shares retreat to close 9¼ off at 109p. Aran shares were requoted after the news was announced and settled at 57½p.

The oil and gas majors, however, closed with gains on the day after crude oil prices made good progress. Shell was particularly well supported and closed 9 higher at 994p ahead of the two-for-one-scrip issue which takes effect on Monday.

A late buying spree lifted Ultramar 6 to 264p with turnover boosted to 4m. Stories in the market suggested that the two Montreal energy groups, Noverco and Unigesco, along with Banque Paribas, may have increased their joint stake in Ultramar from the previous level of 4.3 per cent and could well be seeking, along with Sir Ron Brierley who holds a 14 per cent stake and Premier with 2 per cent, eventually to break up the oil company.

International stocks traded up and down through the session, ending better for choice, but off the day's highs. Beecham rose 6 to 458p in turnover of 1.3m amid renewed speculation that it might bid for Rorer in the US – the speculation was first noted some three months ago.

The weakness of sterling against the dollar helped Glaxo, (1056p) and ICI (979p), while BOC continued its recent strength and rose 5 to 404p. Smith & Nephew's figures were well in line and news of its latest acquisition was well received. The shares shaded off to 114½p in turnover of 4.1m.

Morgan Grenfell fell 4 to 306p after analysts adjusted downwards their profits forecasts for the bank in the wake of its withdrawal from securities trading.

Legal & General were outstanding in the life market, with the shares touching 297p before eventually closing a net 6 higher at 294p; the stock has been targetted as a "buy" by at least three of the leading securities houses. But Pearl dipped 9 to 398p after Citicorp Scrimgeour Vickers' Paul Kelly labelled the shares a "sell" – and recommended a switch into Prudential.

The Brewery sector failed to respond to excellent annual results from Bass. Despite reporting figures above estimates and declaring a heavy dividend, Bass saw its shares fall away from an early rise to end unchanged at 775p.

Turnover was a meagre 1.1m, but analysts expressed bullish sentiment. Bass goes ex-dividend on Monday 12 December, leaving income funds the attractive prospect of a pay-out in February. County NatWest WoodMac has upgraded its pre-tax profit forecast for next year by £10m to £505m and rates the shares a strong buy.

Costain advanced 9 to 303p amid speculation that Trafalgar House had been increasing its take in the company; there were also stories of switching from Trafalgar House to Costain.

Housebuilder and property developer Prowting were among the day's worst performers with the shares slumping 29 to 145p with dealers citing two major selling orders in the stock.

Financials outperformed the market helped by the firmer dollar. Cambrian and General Securities climbed 11 to 103p after rejecting a bid from Leucadia, a New York-based company with interests ranging from insurance to manufacturing. However, volume was extremely poor. "We're just adjusting to the offer price," said one marketmaker.

Ripples of nervousness continued to spread through the market following Morgan Grenfell's decision on Tuesday to close its marketmaking operation. J.T. Parrish, the independent stockbroker, plummeted 40 in early trading as the financial securities sector remained nervous. However, a feeling that the low price would make the company a takeover target helped a later recovery to 50p, down 28. The stock has declined from a year-high of 357p since January (adjusted for a five-to-two rights issue in March). The market is awaiting interim figures from Smith New Court, one of the leading equity marketmakers, which are due on Friday. Smith New Court fell a penny to 153p.

Christian Salvesen reported strong interim profits of £27m but slipped 12 to 150p. In generally dull industrial and engineeringsectors, Davy Corporation put on 9 to 170p following an announcement that it has won a £120m North Sea contract.

British Aerospace shares, recovering from recent losses, enjoyed a boost from news that the group has won a £170m contract to update the Royal Navy's older Sea Harriers and put on 6 to 450p.

Blue Arrow, the employment services group, lost 5½ to 84p on market concern about the resignation of Mr Mitchell Fromstein, the group's president and chief executive in the US. Mr Fromstein previously ran the Manpower group, bought by Blue Arrow for £800m last year.

There was a sizeable seller of Hestair in the market and dealers said the Blue Arrow movement also dampened sentiment. Hestair, down 20 to 266p, recovered to close at 269p.

Property stocks were hit by speculation that City job losses will result in unfilled office space and falling rents. The gloom was not lifted by a 40 per cent rise in interim profits at British Land, which closed down 13 at 329p.

Saatchi & Saatchi fell 5½ to 318½p despite meeting expectations with profits up 11 per cent to £138m. The share fall was a reaction to what some analysts described as a "very poorly conducted presentation", and the unexpected £11.6m contribution to profits from asset sales.

Turnover in traded options reached the highest ever level in the wake of the Great Crash of October last year, on 68,038 contracts, comprised of 40,946 calls and 27,092 puts. The record was set at some 120,000 contracts on the day after Black Monday. Hanson made a late run, to capture 7,834 call contracts and 4,811 puts, as the underlying share price rose 5 on the day to 157p. There was a good deal of business in call options at prices below the closing price of the stock, as the market reacted favourably to the company's profit figures and continued to ponder the question of where its next investment might lie. Activity lay largely on the call side, but included the opening of put interest in the December 160 puts.

FT-SE 100 index trading again reached a a high level, with transactions reaching 6,293 contracts on the side and 5,655 on the put.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 29

FINANCIAL TIMES STOCK INDICES

	Dec. 7	Dec. 6	Dec. 5	Dec. 2	Dec. 1	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.24	87.22	86.94	86.90	86.97	89.17	91.43 (18/4)	86.28 (12/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.55	96.51	96.49	97.00	97.10	96.49	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1451.0	1444.8	1439.0	1439.7	1450.2	1297.6	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	177.6	180.6	180.7	178.7	179.0	324.8	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

	Dec. 7	Dec. 6	Dec. 5	Dec. 2	Dec. 1	Year Ago
Ord. Dl. Yield	4.99	5.01	5.02	5.01	4.97	4.78
Earning Yld %(full)	12.65	12.68	12.71	12.69	12.59	11.85
P/E Ratio(Net)(☆)	9.55	9.52	9.50	9.52	9.59	10.33
SEAQ Bargains(5pm)	21,657	21,099	24,971	20,845	20,702	21,136
Equity Turnover(£m)†	-	785.90	978.74	1023.53	1018.28	1042.39
Equity Bargains†	-	21,216	25,690	21,544	20,839	23,463
Shares Traded (ml)†	-	418.3	548.5	444.6	411.5	-

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1453.9	1451.4	1452.9	1449.1	1449.0	1449.2	1449.3	1448.1

DAY'S HIGH 1454.3 DAY'S LOW 1446.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 9.50 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Dec. 6	Dec. 5
Gilt Edged Bargains	106.9	88.5
Equity Bargains	137.5	166.5
Equity Value	1588.5	1974.2
5-Day average		
Gilt Edged Bargains	95.6	96.2
Equity Bargains	143.6	145.4
Equity Value	1944.7	1965.0

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,889	140	-2
Abbey Life	2,480	286	-2½
Allied-Lyons	1,800	463	-1
Amstrad	843	151	+1
Argyll Group	3,578	167½	+1
Ass. Brit. Foods	209	301	-3
BAA	1,500	254½	-1½
BAT	5,150	427	+5
BET	3,580	229	+1
BICC	797	383	+1
BOC	1,350	404	+5
BPB Inds.	1,308	221	-1
BTR	2,080	287	+5
Barclays	1,600	407	-2
Bass	1,100	775	
Beazer	2,280	168	+1
Beecham	1,200	458	+6
Blue Arrow	13,080	84	-5½
Blue Circle	1,280	432	-2
Boots	3,808	214	+4
British Airways	3,930	156	
Brit. Aerospace	3,480	450	+6
Brit & Comm.	659	229	+1
British Gas	6,230	158½	+1
British Land	1,000	339	-13
BP	4,500	245½	+½
British Telecom	4,000	256	
Burmah Oil	670	474	+1½
Burton	1,850	174	+2
Cable & Wireless	1,900	371	+7
Cadbury Schweppes	812	341	-1
Coats Viyella	2,280	148½	-½

Stock	Volume 000's	Closing Price	Day's change
Commercial Union	675	326	+2
Cons. Gold Fields	206	£12	
Cookson	978	263	+2
Courtaulds	1,100	248	+3
Dalgety	160	297	-2
Dixons	1,300	138	-2
Eng. China Clays	349	454	+3
Enterprise Oil	343	484	
FKI Babcock	1,500	128	-1½
Fisons	1,300	237	+2
Gateway Corp.	2,650	149	-4
General Accident	136	834	
General Elec.	7,500	178	
Glaxo	1,700	£10 9/16	+1/16
Globe Inv	1,400	137½	+2
Glynwed Int.	1,400	258	+2
Granada	2,300	323	+6
Grand Met.	713	448	+1
GUS A	530	946	-29
GRE	1,009	178	
GKN	166	389½	+2½
Guinness	2,150	329	+5
Hammerson 'A'	215	888	-13
Hanson	22,900	157	+5
Harrisons & Cros.	120	655	+3
Hawker Siddeley	1,250	536	+7
Hillsdown Hldgs.	2,256	245½	-4½
IMI	1,000	179	+1
Imp. Chem.	1,000	979	+11
Inchcape	986	202½	+4½
Jaguar	250	270	+1

Stock	Volume 000's	Closing Price	Day's change
Ladbroke	3,480	427½	-2
Land Securities	1,408	566	-12
Laporte	25	382	+1
Legal & General	1,800	294	+6
Lloyds Bank	1,108	330	
LASMO	238	446	-4
Lonrho	1,588	356	-7
Lucas	436	531	
MB Group	550	244	-1
MEPC	1,500	545	-9
Marks & Spencer	4,600	141	-2½
Maxwell Comm.	1,350	186	+4
Midland Bank	775	414	-1
Nat. West. Bank	473	529	-2
Next	1,670	125	
Northern Foods	825	277	+3
Pearson	555	644	-12
Pearl	562	398	-9
P & O	682	536	
Pilkington	1,500	207½	+½
Plessey	2,608	217	+1
Prudential	3,808	149	+1
Racal	3,700	264	+6
Rank Org.	371	689	+1
RMC	611	482	+1
RHM	929	345	+1
Reckitt & Colman	221	988	+1
Redland	507	404	+2
Reed International	2,400	362	
Reuters 'B'	1,285	475	+8
RTZ	722	424	
Rolls Royce	2,488	129	

Stock	Volume 000's	Closing Price	Day's change
Rothmans	298	417½	+½
Royal Bk of Scotlan.	358	350	-1
Royal Insurance	1,180	376	+5
STC	2,358	266	+1
Saatchi & Saatchi	1,700	318½	-5½
Sainsbury	1,380	195	
Scott & Newcastle	364	396	-1
Sears	3,708	111	-2
Shell Transport	1,600	994	+9
Siebe	185	362	
Slough Ests	329	308	-7
Smith & Nephew	4,100	114½	-2
Standard Chartd.	269	477	
Storehouse	1,808	188	-9
Sun Alliance	416	931	+3
T&N	978	164	-1
TSB	2,800	107	+1
Tarmac	1,200	218	+3
Tate & Lyle	302	823	-5
Tesco	4,600	131½	-2½
THORN EMI	421	625	-1
Trafalgar House	2,408	300	-½
Trusthouse Forte	2,280	264	+2
Ultramar	4,080	264	+6
Unilever	547	445	+4
United Biscuits	2,708	281	-3½
Utd. Newspapers	288	392	+5
Wellcome	926	411	+1
Whitbread 'A'	2,700	292	+4
Williams Hldgs.	1,280	243	+4
Wimpey	1,400	248	+3
Woolworth Hldgs	1,480	234	-7

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (21).

BANKS (2) Anglo Leasing, C'hgn. Hbk., BUILDINGS (1) Gibbs & Dandy, ELECTRICALS (2) Ericsson (L.M.), Newmark (L.), FOODS (1) Low (W.), INDUSTRIALS (5) Electrolux, Hanson, Martin Ind., Nu-Swift, Tams (J.), LEISURE (2) European Leisure, Noble Raredon, NEWSPAPERS (1) Daily Mail 'A', TRUSTS (3) City of Oxford, Korea Europe, Rights & Issues Inc., OVERSEAS TRADERS (1) First Pac. Co., PLANTATIONS (1) Anglo-East Plants., MINES (2) Barrack Mines, Bond Int'l. Gold.

NEW LOWS (89).

AMERICANS (1) Allegheny & W., CANADIANS (3) ABM Gold, Corona Corp., Nevada Goldfields, BANKS (2) MCorp, Rea Bros., BUILDINGS (8) AMEC 6.5p Cm. Cv. Pf., Berkeley Grp., Crest Nichol, Egwin, Hey & Croft, Lawrence (W.) 8½pc Pf., McCarthy & Stone, Prowting, STORES (14) ELECTRICALS (8) Feedback, Humberside Elec., Microgen, Peek, Security Tag Systems, Sherwood Comp., VG Instr., Wstn. Select, ENGINEERING (2) Cooper, McKechnie, FOODS (3) Acatos & Hutcheson, Gateway Corp., Hughes Food, INDUSTRIALS (14) Aaronson Bros., Barlo Grp., Blue Arrow, Bluebird Toys, Coloroll, Crests Hldgs., Eagle Tst., Mainmet Hldgs., Pentland, Pergamon AGB, Reed Exec., T. & N., Tamaris, URS Int'l., INSURANCE (1) Pearl, LEISURE (1) Pavilion Leisure, NEWSPAPERS (1) Pearson, PAPERS (9) PROPERTY (4) Kentish Prop., Regalian, Shield Grp. 5.84pc Cm. Pf., Zurich Grp., TEXTILES (3) Lamont Hldgs., Munton Grp., Text'rd. Jrsy., TRUSTS (5) Ambrose Inv. Inc., Fundinvest, Yeoman Inc., Smith New Court, Do. Cv. Cm. Pf., OILS (3) Firstland Oil, Kelt 8pc Cv. Pf., LASMO 'Ops', Monarch Pet., Southwest Res., OVERSEAS TRADERS (2) Patterson Zoch, Do. 'A', MINES (2) GM Kalgoorlie, Ennex Int'l., THIRD MARKET (1) Far East Res.

BUSINESS LAW

Tax and company migration

By Clive Schmitthoff

The decision of the European Court of Justice in the *Daily Mail* case[1] causes some raising of eyebrows in legal quarters and City circles. It appears contrary to the EEC Treaty's freedom of establishment. It makes the relocation of UK companies into another member state of the Community dependent on Treasury approval.

The facts of the case were simple and uncontroverted. The Daily Mail and General Trust plc, which was the applicant in these proceedings, was incorporated in England and had its registered office and residence in London. It was an investment company and its assets were estimated to amount to approximately £349m at the end of 1986. The company intended to transfer its residence – its central management and control – to the Netherlands. The purpose of the transfer, it was openly stated, was that the tax situation, particularly in respect to capital gains tax, was more favourable in the Netherlands than in the UK. A genuine transfer of the central seat of management was contemplated. No tax avoidance was intended, nor could it be alleged that the transfer was only a sham.

According to English common law, it is possible for a company incorporated in England to have its central management and control abroad. It is then not regarded as resident in the UK and escapes UK taxation[2], except with respect to income earned in then UK. But there is a statutory bar: the Income and Corporation Taxes Act 1970 makes it unlawful for a UK company to transfer its residence from the UK to another country without the consent of the Treasury. The Daily Mail company applied to the Treasury and was refused consent.

The company then took the Treasury to the courts. The case was tried by Mr Justice Macpherson in the Queen's Bench Division of the High Court[3]. It was argued on behalf of the company that the statutory bar of the Income and Corporation Taxes Act 1970 was invalid because it contravened article 52 of the EEC Treaty which states that restrictions on the freedom of establishment of nationals of a member state in the territory of another member state shall be abolished; this provision is extended to companies and firms by article 58 of the treaty. As this argument raised an issue on the interpretation of the treaty the judge referred the matter to the European Court in Luxembourg.

The judge made it clear that in his view it would be contrary to the objectives of the EEC Treaty to prevent companies from moving their residence to a member state with a more advantageous tax regime. He said: "My own inclination has been to doubt whether s. 482 should be allowed to prevent or to fetter the voluntary movement of residence of a corporation which wishes to take advantage of a better fiscal climate in another member state within the EC. The aim being of course not to evade tax altogether but to exchange one fiscal system for another, and not to remove to a foreign tax shelter. And the object of the treaty being the removal of barriers and the creation of an economic community without protective barriers of any kind either for persons or for corporations or for trade generally. The creation in other words of a true common market."

The case then went to Luxembourg. In accordance with the practice of the European Court, Mr Advocate General Darmon gave his opinion, concluding the first stage of the proceedings. He referred to the fundamental difference between the company laws of the UK and of other member states. In the UK the place of incorporation is separated from that of residence, whereas in most continental laws these two concepts coincide, so that the company would have to be wound up in the member state of origin and re-incorporated in the other state if it wants to transfer its central management to that state.

After an analysis of the meaning of "establishment" in article 52, the Advocate General expressed himself firmly in favour of the Daily Mail. One of his conclusions was: "Under Community law a member state may not require a company wishing to establish itself in another member state, by transferring its central management there, to obtain prior authorisation for such transfer."

However, the Court disagreed with its Advocate General and reached a different conclusion. It decided that, in the present state of Community law, articles 52 and 58 did not confer a right on a company to transfer its central management and control from one member state to another.

The European Court held that freedom of establishment constituted one of the fundamental principles of the Community, that the provisions guaranteeing this freedom were directly applicable, and that those provisions prohibited a member state of origin from hindering the establishment in another member state of a company incorporated in the former state. But, the court continued, the treaty provided in article 220 that the transfer of the registered office – article 220 actually uses the term "seat" – of a company incorporated in one member state to another without loss of legal personality should be regulated by convention, and no convention in this area had as yet come into force.

The European Court of Justice is a very distinguished and highly regarded tribunal. It has done much to give practical reality to the provisions of the EEC Treaty. It has performed the same political function in the development of Community law as the Supreme Court did in its early interpretation of the US Constitution. An English lawyer is naturally reluctant to criticise such an eminent tribunal. But it must be said candidly that the judgment of the European Court in the Daily Mail case is totally wrong.

It is wrong for two reasons: it is self-contradictory and it fails to analyse the company law provisions of article 220. On the first point, the court held correctly that the right of establishment is "one of the fundamental principles of the Community." It cannot be right that a minor administrative measure, such as the consent of the Treasury derived from what an English judge in another connection called, with a slight air of hauteur, a *matiere fiscale*[4], should thwart and defeat a fundamental principle of Community law.

Secondly, as far as company law is concerned, article 220 is a dead letter, honoured more in its disapplication that in its practical effect. It provides for the negotiation of three conventions relating to companies. The first concerns the mutual recognition of companies by the member states; such a convention was indeed signed in Brussels on February 28 1968, but it was never put into operation; this was unnecessary because the member states recognised companies incorporated in other member states in any event. Another convention contemplated by article 220 concerns mergers across the frontiers; here the convention procedure was abandoned as being too cumbersome and the simpler method of a directive was preferred; in 1985 the Commission submitted to the Council the Tenth Draft Directive on cross-border mergers. The third convention contemplated by article 220 shall, as the court rightly states, provide for the retention of legal personality if a company incorporated in one member state transfers its "seat" to another member state, but if the general law of a member state admits such a retention already, the regulation by the envisaged convention is superfluous and an administrative prohibition of such a transfer is clearly prohibited by article 52.

The judgment of the European Court of Justice does not, of course, concern a matter of national taxation prerogative which is indisputed. However, it may be observed that in an earlier case[5] the court held that the fundamental freedom of establishment could not be derogated to avoid the risk of tax evasion.

The judgment of the European Court of Justice in the Daily Mail case is not in harmony with the tradition of that Court. It does not advance the objectives of the Community.

[1] *R v H.M. Treasury and Commissioners of Inland Revenue, ex parte Daily Mail and General Trust plc, case 81/87, judgment of 27 September 1988*

[2] *Egyptian Delta Land and Investment Co v Todd [1929] AC 1; Dicey & Morris on the Conflict of Laws, 11th ed, Rule 173, pp.1132 and 1134.*

[3] *[1987] 1 FTLR 394, [1987] 2 CMLR 1.*

[4] *May LJ in In re State of Norway's Application (No.2) [1988] 3 WLR 603, 626.*

[5] *Commission v France, case 270/83, (1986)ECR 273.*

Professor Schmitthoff is Honorary Professor of Law at Kent University, Canterbury, and general editor of Palmer's Company Law and the Journal of Business Law.

APPOINTMENTS

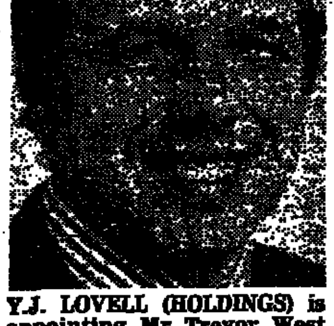
Directors at Unilever companies

■ Mr Charles Miller Smith, president of Quest International, Unilever's flavours and fragrances business, and Dr Okko Mueller, chairman of Union Deutsche Lebensmittelwerke, Unilever's largest foods company in Germany, are to be nominated as directors of UNILEVER N.V. and UNILEVER PLC at the annual meetings on May 3. Mr Ronald Archer, currently Unilever personnel director, will be appointed to the special committee in succession to Mr Johan Erbe who is retiring. Mr Thomas Thomas and Mr Ernst Verloop will not be seeking re-election at the annual meetings having reached retirement age.

■ Mr Jerome Goldstein has been elected chairman of the AIBD Committee of the Council of Reporting Dealers on the retirement of former chairman, Mr Tom Beacham. Mr Goldstein is a managing director of Sanwa International in charge of bond trading and distribution.

■ Mr Terry Brown has been appointed an executive director of WILLIS WRIGHTON LONDON.

■ FINLAN GROUP, the property development and materials handling group, has appointed Mr Peter Scott, the chief executive of WCRS, as a non-executive director.



Y.J. LOVELL (HOLDINGS) is appointing Mr Trevor West *(above)* its financial director on February 1. He succeeds Mr James Laing who retires from that position at the end of January while continuing in the role of deputy chairman in a non-executive capacity. Mr West joins the group next month from Matthew Hall where he is group finance director.

■ SCOTTISH PROVIDENT has appointed Mr Peter G. Fitzgerald as general manager(sales and marketing) in succession to Mr Peter W. Bullough who is retiring. The appointment takes effect on February 1. He is corporate marketing manager at Royal Life Holdings.

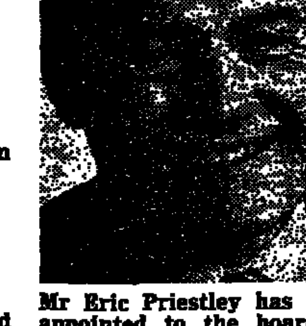
■ Following the death of Mr T.W. Walker, Mr Ian H. Macdonald has been appointed chairman of STANDARD PROPERTY INVESTMENT. He was a senior officer of the Hong Kong and Shanghai Banking Corporation and a former chief executive of TSB Scotland.

■ Sir Derek Boorman has been appointed a non-executive director of TARMAC CONSTRUCTION, the holding company for the Tarmac Group's construction division.

■ BOND CORPORATION HOLDINGS (UK) has appointed Mr Richard Raeburn as its London treasurer from December 12. He was group international treasurer at Prudential-Bache. Mr Peter Whitchurch has joined the company as company secretary and administration manager of the London office. He was a director and secretary of Beatrice Swift, the UK subsidiary of the US holding company.

■ Mr John Braddell is to join STOREHOUSE as chief executive, marketing and design division, and become a member of the main board in February. He is currently managing director of Biss Lancaster, a part of the WCRS Group.

■ CLERICAL MEDICAL UNIT TRUST MANAGERS has appointed Mr Nigel Gardner as finance director and Mr Paul Williams as invstment director. Mr Gardner was financial controller. Mr Williams is responsible for UK equity investments for the Clerical Medical Investment Group.



Mr Eric Priestley has been appointed to the board of BOWATER INDUSTRIES with responsibility for the group's building materials manufacturing and distribution activities. He was chief executive of British Fuels and a director of Redland.

■ Mr Anthony J. Butterworth has been appointed group managing director and chief operating officer of LONDON INTERNATIONAL GROUP from April 1. He is returning to the UK after many years working for US multi-nationals.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

London & Manchester (Tst Mgmt) Ltd (1000)H
Winslade Park, Exeter EX5 1DS 0392 282673

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
American	5	27.62	27.92	29.64	+0.43	0.8
General	5	47.05	47.24	50.15	+0.36	3.6
Income	5	44.01	44.29	47.02	+0.14	5.6
International	5	33.71	34.03	36.12	+0.33	0.9
Japan	5	50.02	50.34	53.44	+0.61	0.0
Tst of Inv Trusts	5	35.10	35.64	37.83	+0.21	2.0

MIM Britannia Unit Tst Mgrs Ltd (1000)H
11 Devonshire Square, London, EC2M 4YR 01-626 3434
Call free: Public Dealing 0800 010333
Intermediary Dealing: 0800 010733

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
UK Specialist Trusts						
Growth Gilt	2	64.08	64.08	65.54	+0.03	4.46
Smaller Co's	5¼	29.00	29.97	31.85	-0.20	1.66
Special Features	5¼	23.85	23.85	25.34	+0.09	1.33
(Accum Units)	5¼	25.32	25.32	26.90	+0.10	1.25
General Funds						
Assets & Earnings	5¼	51.83	51.83	55.06	+0.00	2.55
Accum Units	5¼	53.43	53.43	56.76	+0.18	2.48
Great British Cos	5	328.3	328.3	348.8	+0.30	3.0
Managed Invest	5¼	55.91	55.91	58.70	+0.19	2.47
Report Childrens Tst	5¼	46.11	46.31	49.21	+0.30	2.62
UK Growth	5¼	36.31	36.31	38.57	+0.20	2.97
High Income Funds						
Extra Income	5¼	72.43	72.43	76.95	+0.30	6.29
Gilt	5¼	26.02	26.02	27.42	+0.10	8.8
Income & Growth	5¼	27.79	27.79	29.52	+0.30	4.24
Preference Shares	5¼	19.76	19.76	20.99	+0.00	8.72
UK Income	5¼	230.7	230.7	245.1	+0.80	4.64
Sector Specialist Funds						
Commodity Shares	5¼	128.2	128.2	136.2	+0.60	1.87
Financial Securities	5¼	39.20	39.20	41.65	+0.10	3.93
Gold	5¼	40.60	40.60	43.54	+0.90	0.58
Accum Units	5¼	42.41	42.41	45.48	+0.90	0.55
Intl Leisure	5¼	15.91	15.91	16.90	+0.15	–

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price *in circumstances in which there is a large excess of sellers of units over buyers.*

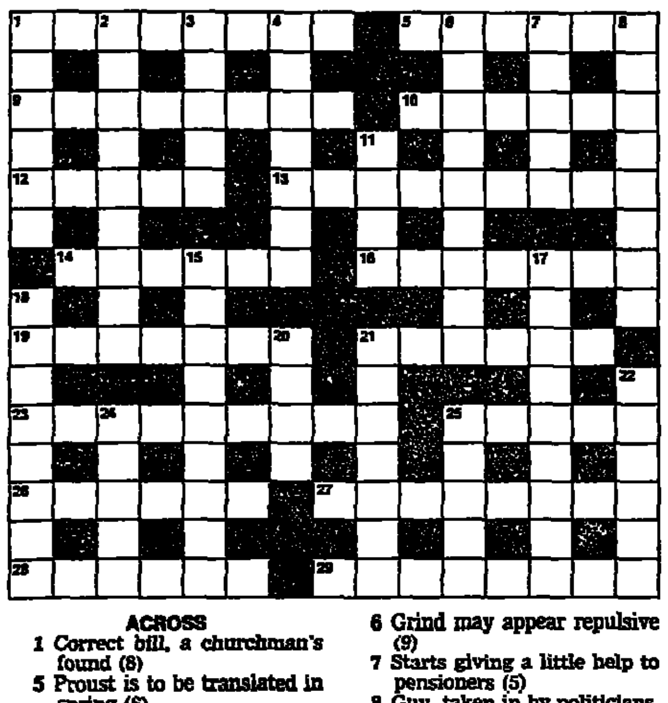
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest *available before publication and may not be the current dealing levels because of an* intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the *newspaper show the prices at which deals were carried out yesterday.*
Other explanatory notes contained in last column of the FT Unit Trust information pages.

CROSSWORD

No. 6,806 Set by VIXEN



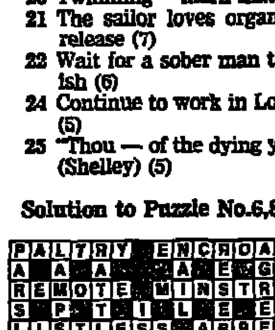
ACROSS

1 Correct bill, a churchman's found (8)
5 Proust is to be translated in spring (6)
9 Figure a bird needs a label attached (8)
10 Claim support when in drink (6)
12 Material for credit record note (5)
13 The crooked prosper, so a scourge of society discovered (9)
14 *Unwilling to declare a point* (6)
16 In the cold wind leaves shrivel (7)
19 Perspicacity in a sense (7)
21 Go and lead agitators, though quite ancient (3-3)
23 Customs charges about to take effect (9)
25 A number work on the land (5)
26 He wrote "Gold, the Endless Gold" (6)
27 *Shady dealer in property* around lake or urban centre (8)
28 The man showing a high-flier the short way (6)
29 Cleric possibly never accepted by Communist (8)

DOWN

1 Look for piano in a school (6)
2 Is not *lavish* with *the jam* (9)
3 Study Oriental novelist (5)
4 Duo writing book about set-up (7)
6 Grind may appear repulsive (9)
7 Starts giving a little help to pensioners (5)
8 Guy, taken in by politicians, forms certain assumptions (8)
11 Did like to get a large figure occupied by exercise (4)
15 This rogue could be made trustworthy (9)
17 *Coach-building application* (9)
18 Diana's position as cashier (8)
20 Twinkling – mark that (4)
21 The sailor loves organising release (7)
22 Wait for a sober man to finish (6)
24 Continue to work in London (5)
25 "Thou — of the dying year." (Shelley) (5)

Solution to Puzzle No.6,805



FT UNIT TRUST INFORMATION SERVICE

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Swiss Life Pen Tst Man Co Ltd (1000)H
99-101 London Rd, Sevenoaks 0732 450161

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity Dist	5	319.9	323.3xd	342.1	+1.7	3.26
Equity Acc	5	415.5	420.8	445.3	+2.2	3.26
Fixed Int Dist	5	113.2	114.8xd	119.0	+0.4	8.53
Fixed Int Acc	5	208.5	211.4	219.1	+0.6	8.53

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	93.11	93.81	99.80	+1.32	2.12
Do Accum	6	99.94	100.68	107.11	+1.39	2.12
TSB Brit Growth	6	52.47	52.47	55.82	+0.34	3.45
Do Accum	6	54.90	54.90	58.40	+0.35	3.45
TSB European	6	50.69	50.69	53.93	-0.09	1.08
Do Accum	6	52.07	52.07	55.39	-0.10	1.08
TSB Extra Income	6	142.97	146.35	155.69	+0.24	6.07
Do Accum	6	184.54	188.90	200.96	+0.30	6.07
TSB Smaller Cos	6	50.29	52.37	54.71	-0.13	1.49
Do Accum	6	51.19	53.30	56.70	-0.13	1.49
TSB General	6	171.98	171.98	182.96	+1.09	3.67
Do Accum	6	297.69	297.69	316.69	+1.87	3.67
TSB Premier Income	5	46.99	47.44	49.42	+0.19	9.29
Do Accum	5	72.14	72.84	75.87	+0.29	9.29
TSB Income	6	254.95	258.96xd	275.49	+1.64	5.17
Do Accum	6	433.69	440.51xd	468.63	+2.78	5.17
TSB Pacific	6	207.99	211.21	224.69	+0.92	0.32
Do Accum	6	216.25	219.58	233.61	+0.96	0.32
TSB International	6	314.22	316.22	336.40	+1.72	0.88
Do Accum	6	399.57	399.57	425.07	+2.17	0.88
TSB Nat Resources	6	57.37	58.67	62.41	+0.50	1.72
Do Accum	6	60.81	62.18	66.15	+0.50	1.72
TSB Slctd Opps	6	75.88	75.88	80.72	+0.28	2.83
Do Accum	6	86.64	86.64	92.17	+0.33	2.83

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0850

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	60.05	60.05xd	64.21	+0.98	3.25
Australia	5	6.795	6.795	7.270	-0.08	0.10
Commodity	5	71.99	71.99xd	77.04	+0.53	0.64
Convertible	5	138.6	138.7xd	149.5	-0.2	5.11
Equity	5	147.1	147.1	158.7	-0.1	5.11
Euro Spec Sits	5	80.03	80.03	[illegible]	[illegible]	3.29

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Nov 30	211.95		—	5.87
Equity Nov 30	695.75		—	4.18
Fxd Int Sec Nov 30	97.60		—	10.60

* Available only to Local Authorities

MEM Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens (Acc)	54.3	57.9	—	0.80

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Asset Expt Dec 7	36.5	37.9	+0.0	2.47
Euro Expt Dec 7	41.8	43.0	+0.0	2.66
Fixed Int Ex Dec 7	47.8	50.1xd	+0.0	10.2
Japan Expt Dec 7	56.1	58.4xd	+0.0	0.51
Managed Ex Dec 8	36.9	38.3	-1.1	5.06
SE Asia Expt Dec 7	33.4	35.0	+0.0	2.25
Sm Cos Expt Dec 7	41.4	43.4xd	+0.0	2.92
UK Eqty Ex Dec 7	34.0	35.7	+0.0	4.74

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Gross
NC Property	191.5	209.3	—	—

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
PDFM Small Co's Nov 4	774.0	820.0	—	4.20
Do Accum	799.0	846.0	—	4.20
PDFM Int.Expt Dec 1	120.0	122.1xd	—	2.66

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	96.10	97.33	—	2.49

INSURANCES

AA Friendly Society

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Ass. Co Ltd

Providence Capital Life Assc. Co Ltd – Contd.

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd – Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd – Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Trust Co Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plan.) Ltd

The Analysis Group PLC

Allianz Financial Services Ltd

Blackstone Franks Plc

Bryan Walls & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere Investments Ltd

Clifton Financial Mgmt Ltd

Drummond Moore Plc

First Financial Services PLC

The Fitzgerald Group

Gartmore Fund Managers Ltd

Hinton Hill (I. & P.) Ltd

Investment Portfolio Services Ltd

Johnson Fry Plc

Kingsdale Financial Management

Knight Williams & Company Ltd

M & E Financial Management Plc

Marsh Financial Management Ltd

Noble Lowndes & Partners Ltd

The Normandale Group

O'Halloran & Co/Countrywide

PBR Fund Management Ltd

The Porchester Group

Rushmoor Financial Management

Shaw (Albert E.) & Co

Towry Law & Co

Tattersall Investment Mgmt. Ltd

University Medical General Ltd.

J. B. Ward Financial Services Ltd

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

UK LISTED

Citibank – Contd.

Delta Group

EBC Trust Company (Jersey) Ltd

Foreign & Colonial Mgmt (Jersey) Ltd

Framlington Overseas Fund Mngt. Ltd

GT Management Plc

Gartmore Investment Ltd

Global Asset Management Corpn.

John Govett Mngmt International Ltd

Govett (John) Management (Guernsey) Ltd

Group One Limited

Guinness Flight Fd Mngrs (Guernsey) Ltd

Henderson Fd Mgrs (CI) Ltd

Hill Samuel Fund Mngrs (Jersey) Ltd

Ivory & Sime (Guernsey) Ltd

Ivory & Sime Pension Inc

Jardine Fleming Inv Mngt Ltd

Kleinwort Benson (Guernsey) Fd Mngrs Ltd

Lloyds Bank (CI) U/T Mngrs.

MIM Britannia International Limited

Minerals, Oils Res. Shrs. Fd. Inc.

NM Schroder Fund Mngt Intl Ltd

PFC Internatl Portfolio Fd Mngt Ltd

Prudential Intl Financial Services Ltd

Prudential Intl Financial Services Ltd – Contd.

Quilter International Management Ltd

Rothschild Asset Management

Royal Bank of Canada Funds

Royal Trust Fd Mngt Ltd

Save & Prosper International

Schroder Mngt Services (Jersey) Ltd

The Siam Fund (Cayman) Ltd

TSB Trust Funds (CI) Ltd

Target International (Europe) Ltd

The Thai-Euro Fund Ltd

The Thailand Intl Fund Ltd

Thornton Investment Management Ltd

Touche Remnant (Guernsey) Limited

Tyndall International (Jersey) Ltd

Union-Investment-Gesellschaft GmbH

Warburg Investment Management Jersey Ltd

IoM AUTHORISED

Allied Dunbar International Fund Mgrs.

Asset Global Funds Ltd

Barclays Intl Funds

Equity & Law International Fund Mgrs Ltd

Gartmore Fund Managers (IoM)

Hellenic Scandinavian Fund Ltd

Mercury Fund Managers Isle of Man Ltd

Refuge Overseas

Tyndall International (Isle of Man) Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

Citibank (CI) Ltd "Citifunds"

Cater Allen Investment Management (CI)

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
102¼	99⅞	Treas 11½pc 1989	99⅞	.....	11.55	12.84
101	98¾	Treas 9½pc Cnv 1989	98⅞	.....	9.61	12.74
97½	95¾	Treas 3pc 1989	97⅛	+⅛	3.09	10.17
102¾	99½	Treas 10½pc 1989	99⅛	.....	10.60	12.49
102	98¼	Exch 10pc 1989	98¼	.....	10.17	12.66
103½	98¾	Exch 11pc 1989	99⅛	+⅛	11.12	12.44
97¾	94⅝	Treas 5pc 1986-89	95⅛	.....	5.25	10.88
104¼	98⅝	Exch 10¼pc Cv '89	98⅞	+⅛	10.39	11.74
107½	101¼	Treas 13pc 1990‡‡	101⅛	+⅛	12.85	11.77
104¼	99⅛	Exch 11pc 1990‡‡	99⅛	+⅛	11.09	11.70
107¾	100¼	Exch. 12½pc 1990	101¾	+⅛	12.40	11.81
93¼	90⅞	Treas. 3pc 1990	91¼	.....	3.30	10.10
99¾	95⅛	Treas 8¼pc 1987-90‡‡	95⅛	+⅛	8.63	11.52
102¼	95¼	Treas. 8pc Cv 1990 ‡‡	97	+⅛	8.29	10.42
103¾	97¼	Treas. 10pc Cv 1990	97⅞	+⅛	10.23	11.37
91⅛	87⅛	Exch 2½pc 1990	87⅛	.....	2.85	9.55
107¼	100⅞	Treas 11¾pc 1991	100⅞	.....	11.66	11.33
95⅛	89⅛	Funding 5¾pc '87-91‡‡	89⅛	.....	6.40	10.79
90⅛	86	Treas. 3pc 1991	86¼	.....	3.48	9.51
105⅛	98⅛	Treas 10pc Cv '91 ‡‡	98⅞	+⅛	10.14	10.65
107⅞	99⅛	Exch. 11pc 1991	99⅝	.....	11.05	11.17
98⅛	91⅛	Treas. 8pc 1991	92¼	+⅛	8.68	11.13
113⅞	104⅞	Treas 12¾pc 1992‡‡	104⅛	+⅛	12.18	10.92
104⅛	97⅛	Treas 10pc 1992	97⅛	+⅛	10.26	10.93
98⅝	91⅛	Treas. 8pc 1992 ‡‡	92⅛	+⅛	8.69	10.88
106¼	98⅞	Treas 10½pc Cv 1992‡‡	98⅛	.....	10.61	10.86
86⅞	82¼	Treas. 3pc 1992	82⅛	-⅛	3.64	8.93
112⅛	103¼	Exch. 12¼pc '92	103⅛	+⅛	11.78	10.89
117⅛	107⅛	Exch 13½pc 1992	108	+⅛	12.51	10.87
97⅝	91⅛	Treas 8¼pc 1993	91⅛	+⅛	8.99	10.72
105⅛	97⅛	Treas 10pc 1993‡‡	97⅛	+⅛	10.22	10.61
115⅛	105⅛	Treas 12½pc 1993‡‡	106¼	+⅛	11.77	10.72
93⅛	85⅞	Funding 6pc 1993‡‡	85¼	-⅛	7.00	9.80
121⅛	110⅛	Treas 13¾pc 1993‡‡	111⅛	+⅛	12.37	10.77

Five to Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. ...

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

Over Fifteen Years

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
20¼	13½	TRINOVA Corp.	14	+	64c	–	2.5
19	14½	USX $1	15	+	$1.40	–	5.0
140p	44p	Uallab	135p	–1	–	–	5.0
24	17½	Utd. Technologies	21	+	$1.60	–	4.1
163p	27p	Uwitech Incorp.	135p	+2	–	–	–
34½	26½	US West	31½	+½	$3.52	–	6.1
24	16	Waste Management $1	21	+	48c	–	1.2
16	12	Whirlpool $1	13½		$1.10	–	4.6
21	16¼	Whitman Corp.	17½	–	96c	–	3.0
33	18¼	Woolworth $3½	27¼	+	$1.64	–	3.3

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

هكذا من الأصل

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE—Contd

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
163	130	Hi-Tec Sports	130					
92	14	Int'l Media Cons. 5p	17		L3.6	3.4	3.5	10.1
79	49	Juliana's Hldgs 2p	68	−1				
46½	32	Kunick 10p	41½		†2.85	1.4	5.6	14.9
193	122	LWT 5p	156		†1.0	2.4	3.2	16.5
448	183	LandLeisure 10p	366		5.7	2.6	4.9	10.1
*118	66	Leisure Inv 10p	99		†8.0	4.6	2.9	9.7
*112	64	Leisuretime Int 10p	83	−1	1.75	1.4	2.7	(27.1)
440	295	Marina Dev. 50p	345					
218	157	Mecca Leisure 10p	160	−1	m2.0	3.5	0.8	67.7
127	79	Midminster 10p	110		4.5	♦	3.8	♦
182	126	Midsummer Leis 10p	167	−1	3.67	2.6	4.4	11.6
460	200	Mrs World 10p	481		†1.6	3.1	1.3	27.9
62	32	Moliere Visions 50p	43		8.0	2.6	2.5	21.0
155	120	Noble Raredon 5p	153	+13				23.7
23	17	Mondicorp Inv NZ$0.5	20		bL53	1.5	1.2	75.6
169	87	Orient Ex Hlds $0.125	108		.02	3.5	3.5	4.7
*89	61	Owners Abroad 3p	86	−1				
180	120	Pavilion Leisure 10p	120	−10	†2.1	1.9	3.4	25.2
211	55	PP Dilly Radio NV 5p	171	+3				
264	175	Pickwick	225		3.25	♦	2.6	♦
*282	147	Pleasurama 5p	238		†2.6	2.9	1.5	29.4
*233	135	Do. 7pcCvCumRedPf	229	−1	†16.0	2.4	3.4	14.1
180	114	Prestwich	123		7%		4.3	
142	78	Prism Leisure 10p	148	+1	1.25	7.5	1.4	13.1
*254	122	Quadrant Group 10p	221	+2	4.46	2.5	4.2	12.0
367	97	Radio City 'A' NV	346	−2	F3.6	3.4	2.2	18.9
276	89	Radio Clyde			6.0	♦		♦
610	194½	Really Useful Grp 5p	245	−1	5.75	♦	3.1	♦
239	164	Saga Group 20p	517	+2	15.0	2.3	3.9	15.2
110	78	Scott. Inv Rlnk 2½p	234		†4.6	1.2	2.6	48.2

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
40	16	Southern Res.	16	−1	—	—	—
7½	4	Southern Ventres 25c	5		♦0.5c	—	5.1
15¼	5½	Spargos MiningNL	5½		Q1c	—	8.8
7	2	Swan Res 20c	2		—	—	—
12	4	West Coast 25c	4½	+½	—	—	—
315	160	Westn Mining 50c	224	+2	Q20c	♦	4.3
145	74	Whim Creek 10c	77	−1	Q11c	16.4	8.2

Tins

Miscellaneous

THIRD MARKET

For Video Tape Recordings see Leisure.

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p γ	69	......
Craig & Rose £1 γ	710xd	......
Finlay Pkg. 5p γ	85	−1
Holt (Jos) 25p γ	£11¼	−⅛

IRISH

Stock	Price	+ or −
Cap. 8½% Ln. 1991	£99¾	......
9pc Cap Ln. 1996	£103⅛	......
Fin. 13% 97/02	£124⅛	......
Arnotts γ	375	......
Carrol (P.J.) γ	150	......
Grafton Grp. γ	143	......
Hall (R. & H.)	155	......
Helton Hldgs. γ	56	......
Irish Ropes γ	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	98
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk.	45
P & O Dfd.	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl.	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42
Property	
Brit Land	30
Land Securities	52
MEPC	50
Peachey	54
Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21
Mines	
Cons Gold	100
Lonrho	38
RTZ	40

A selection of Options traded is given on the London Stock Exchange Report Page

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Soviet arms move boosts dollar

THE DOLLAR climbed sharply *yesterday as Mr Mikhail Gorbachev*, the Soviet leader, told the United Nations the Soviet Union intends to cut troop levels by 500,000 within two years, and make large cuts in conventional arms.

This was regarded as encouraging for any attempt to reduce the US budget deficit, providing it leads to a reduction in US defence spending. But at the same time many dealers had severe reservations about the importance of the news, as far as the budget deficit and the dollar are concerned.

It was suggested that once the dollar's advance built up momentum it led to panic buying, in a market technically short of the currency, and that a downward correction was almost certain to take place.

Traders rushed to cover their positions, and in the attempt to cut losses drove the dollar up to unsustainable levels. As London closed the US currency was already retreating.

The dollar opened on a firm note in Europe, after making gains in the Far East, and in New York on Tuesday, on a radio report that the Soviet Union was about to offer substantial concessions to the West on the size of its armed forces.

Dealers in Tokyo said the dollar was also bought because of a statement by the chairman of a US Congressional committee that there would be a tax increase when negotiations on the Federal budget are completed.

The dollar broke through resistance at DM1.7350 in the Far East, opening at around DM1.7440 in Europe. It had moved up to DM1.7480 at noon in London, temporarily halting just below a strong resistance point of DM1.7500.

After sweeping aside any resistance at this level the dollar surged up to a peak of DM1.7730 as Mr Gorbachev gave his address to the UN. It also broke through a chart point of Y123.00 against the yen, rising to Y124.10, but these levels were not to be sustained, and the dollar fell back towards the London close.

It finished much firmer on the day however, rising to DM1.7600 from DM1.7325; to Y123.35 from Y121.70; to SFr1.4800 from SFr1.4525; and to FFr6.0100 from FFr5.9150.

On Bank of England figures the dollar's exchange rate index rose to 93.4 from 92.1.

The French franc was supported within the EMS by the strength of the dollar, and the corresponding move to sell D-Marks.

Progress towards settling the strike by French transport workers also helped the franc move higher against the D-Mark, although continued rejection of a pay deal by the biggest unionkept trading nervous.

Sterling fell 2.55 cents to $1.8400, but this was simply a reflection of the dollar's strength. High London interest rates supported the pound against other major currencies. It rose to DM3.2375 from DM3.2325; to SFr2.7225 from SFr2.7100; to FFr11.0575 from FFr11.0350; and was unchanged at Y227.00.

According to the Bank of England, sterling's exchange rate index fell 0.1 to 78.7.

£ IN NEW YORK

Dec.7	Latest	Previous Close
£ Spot	1.8380-1.8350	1.8602-1.8607
1 month	0.53-0.52pm	0.54-0.52pm
3 months	1.70-1.68pm	1.68-1.65pm
12 months	5.90-5.80pm	5.87-5.77pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.7	Previous
8.30 am	78.7	78.7
9.00 am	78.7	78.7
10.00 am	78.8	78.7
11.00 am	78.7	78.8
Noon	78.7	78.8
1.00 pm	78.7	78.8
2.00 pm	78.7	78.8
3.00 pm	78.6	78.8
4.00 pm	78.7	78.8

CURRENCY RATES

Dec.7	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.734357	0.643387
U.S Dollar	6.50	1.37200	1.19155
Canadian $	8.75	1.63199	1.42331
Austrian Sch.	4	16.6575	14.6418
Belgian Franc	7¾	49.6287	43.5930
Danish Krone	7½	9.12449	8.01439
Deutsche Mark	3½	2.36848	2.08093
Neth.Guilder	4	2.67128	2.34760
French Franc	9½	8.09068	7.10464
Italian Lira	12½	1750.75	1536.87
Japanese Yen	2½	166.767	146.204
Norway Krone	8	8.82470	7.73020
Spanish Peseta	-	N/A	135.122
Swedish Krona	8½	8.23269	7.20413
Swiss Franc	3	1.98323	1.74860
Greek Drach.	20½	N/A	173.192
Irish Punt	-	N/A	0.777370

*All SDR rates are for Dec.6.

CURRENCY MOVEMENTS

Dec.7	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.7	-13.5
U.S Dollar	93.4	-14.9
Canadian Dollar	83.8	-1.7
Austrian Schilling	135.7	+10.0
Belgian Franc	98.7	-6.1
Danish Krone	89.9	+0.1
Deutsche Mark	145.5	+21.5
Swiss Franc	168.3	+20.6
Guilder	133.9	+13.7
French Franc	69.2	-15.2
Lira	45.7	-20.1
Yen	252.3	+88.3

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base Average 1975=100)**Rates are for Dec.6 .

OTHER CURRENCIES

Dec.7	£	$
Argentina	23.8700-24.0300	12.9100-12.9900
Australia	2.1175-2.1195	1.1575-1.1585
Brazil	1140.05-1146.20	616.25-619.30
Finland	7.6045-7.6180	4.1090-4.1110
Greece	266.75-271.25	143.65-146.30
Hong Kong	14.4290-14.4425	7.7970-7.7990
Iran	124.25*	66.75*
Korea(Sth)	1269.80-1279.80	682.60-688.20
Kuwait	0.51850-0.51900	0.28030-0.28040
Luxembourg	67.95-68.05	36.90-37.00
Malaysia	4.9635-4.9755	2.6840-2.6860
Mexico	4215.80-4234.45	2279.00-2289.00
N. Zealand	2.8305-2.8355	1.5495-1.5520
Saudi Ar.	6.9400-6.9460	3.7515-3.7525
Singapore	3.6005-3.6060	1.9450-1.9470
S. Af (Cm)	4.3000-4.3090	2.3420-2.3470
S. Af (Fn)	6.7995-6.9280	3.7035-3.7735
Taiwan	52.25-52.50	28.10-28.20
U.A.E.	6.7940-6.8000	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5930	+2.67	+0.79	±1.5344
Danish Krone	7.85212	8.01439	+2.07	-0.19	±1.5404
German D-Mark	2.05853	2.08093	+1.09	-0.79	±1.0981
French Franc	6.90403	7.10464	+2.91	+1.03	±1.3674
Dutch Guilder	2.31943	2.34760	+1.21	-0.67	±1.5012
Irish Punt	0.768411	0.777370	+1.17	-0.71	±1.6684
Italian Lira	1483.58	1536.87	+3.59	+2.43	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Dec.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8260-1.8545	1.8395-1.8405	0.54-0.51cpm	3.42	1.70-1.66pm	3.65
Canada	2.2035-2.2290	2.2055-2.2065	0.47-0.37cpm	2.28	1.16-1.03pm	1.99
Netherlands	3.64-3.65¾	3.64¾-3.65¾	2¼-2cpm	6.78	6¼-6⅛pm	7.32
Belgium	67.60-68.05	67.95-68.05	38-30cpm	6.00	103-93pm	5.76
Denmark	12.41¾-12.46	12.44¾-12.45¾	5⅛-4⅝orepm	4.88	15-14¼pm	4.68
Ireland	1.2050-1.2090	1.2055-1.2065	0.56-0.50cpm	5.27	1.56-1.41pm	4.93
W. Germany	3.22¾-3.24	3.23½-3.24	2⅛-2pfpm	7.64	6¼-6pm	7.57
Portugal	265.40-268.55	265.40-266.50	14pm-30cdis	-0.99	19pm-81dis	-0.75
Spain	209.15-210.65	209.15-209.80	60-35cpm	2.72	103-76pm	1.71
Italy	2384¼-2392½	2391½-2392½	2pm-1liredis	0.75	7-4pm	0.92
Norway	11.92-12.04¾	12.03¾-12.04¾	1⅞-1½orepm	1.68	4¼-3⅝pm	1.31
France	11.01¼-11.06¼	11.05¼-11.06¼	4¾-4⅛cpm	4.95	13¼-12⅝pm	4.66
Sweden	11.11¾-11.20¾	11.19¼-11.20¼	2¾-2⅞orepm	2.75	7⅝-7pm	2.61
Japan	226¾-227½	226½-227½	1¾-1½ypm	8.59	4⅞-4⅝pm	8.37
Austria	22.60-22.75	22.60-22.65	15⅜-14⅝gropm	8.02	43¾-41¼pm	7.46
Switzerland	2.71¼-2.72¾	2.71¾-2.72¾	1⅞-1¾cpm	7.99	5½-5¼pm	7.90

Belgian rate is convertible francs. Financial franc 68.20-68.30 . Six-month forward dollar 3.39-3.34cpm 12 month 5.95-5.85pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Dec.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8260-1.8545	1.8395-1.8405	0.54-0.51cpm	3.42	1.70-1.66pm	3.65
Ireland†	1.5225-1.5355	1.5225-1.5235	0.30-0.35cdis	-2.55	0.54-0.64dis	-1.54
Canada	1.1895-1.2040	1.1995-1.2005	0.10-0.13cdis	-1.16	0.49-0.53dis	-1.71
Netherlands	1.9655-2.0000	1.9845-1.9855	0.71-0.67cpm	4.20	1.84-1.80pm	3.69
Belgium	36.50-37.00	36.90-37.00	9.00-7.00cpm	2.62	21.50-18.50	2.18
Denmark	6.71¾-6.77	6.76½-6.77	1.20-0.90orepm	1.87	2.30-1.80pm	1.22
W. Germany	1.7425-1.7730	1.7595-1.7605	0.66-0.63pfpm	4.43	1.74-1.71pm	3.95
Portugal	144½-146	145¼-146	35-65cdis	-4.15	120-195dis	-4.35
Spain	113.25-114.95	114.85-114.95	10-20cdis	-1.35	60-70dis	-1.95
Italy	1287½-1304	1299¾-1300¼	2.70-3.70liredis	-2.97	8.50-9.50dis	-2.79
Norway	6.47-6.54¾	6.54¼-6.54¾	0.75-1.05oredis	-1.66	3.60-4.10dis	-2.37
France	5.95-6.05	6.00¾-6.01¼	0.80-0.75cpm	1.56	1.59-1.52pm	1.04
Sweden	6.04-6.09½	6.08¼-6.08¾	0.20-0.40oredis	-0.60	1.30-1.70dis	-0.99
Japan	122.35-124.10	123.30-123.40	0.54-0.51ypm	5.13	1.47-1.44pm	4.73
Austria	12.25¾-12.30¾	12.30¾-12.30¾	6.00-4.00gropm	4.89	14.00-8.00pm	3.58
Switzerland	1.4630-1.4905	1.4795-1.4805	0.57-0.54cpm	4.53	1.59-1.54pm	4.26

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.05-37.15.

EURO-CURRENCY INTEREST RATES

Dec.7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13-12¾	13-12⅞	13-12⅞	13¼-13⅛	13¼-13⅛	13⅛-12⅞
US Dollar	8⅞-8¾	8¾-8½	9⅛-9	9⅛-9	9⅛-9	9⅜-9¼
Can. Dollar	10-9¾	10⅛-9⅞	10½-10¼	10⅞-10⅝	11¼-10⅞	11⅛-10⅞
D. Guilder	5⅜-5¼	5⅜-5¼	5⅜-5¼	5⅝-5½	5½-5⅜	5⅝-5½
Sw. Franc	4⅝-4¼	4¾-4½	5⅛-5	5-4⅞	4⅞-4¾	4⅞-4¾
Deutschmark	4⅞-4¼	4⅞-4¾	5¼-5⅛	5¼-5⅛	5¼-5⅛	5⅝-5½
Fr. Franc	7¼-7⅛	7⅜-7¼	8-7⅞	8¼-8⅛	8⅝-8½	8⅝-8½
Italian Lire	12-10	13-12	12¾-12¼	12⅛-11⅞	12¼-11⅞	12¼-11¾
B. Fr. (Fin)	7½-7	7⅜-7⅛	7⅜-7⅛	7⅜-7⅛	7⅜-7¼	7⅝-7⅜
B. Fr. (Con.)	7½-7	7¼-7	7¼-7	7⅜-7⅛	7½-7¼	7⅝-7⅜
Yen	4⅜-4¼	4¼-4⅛	4⅜-4¼	4½-4⅜	4½-4⅜	4⅝-4½
D. Krone	7⅞-7⅝	7⅞-7⅝	8-7⅞	8¼-7⅞	8½-8¼	8⅝-8⅜
Asian $Sing	8⅞-8¾	8⅞-8¾	9⅛-9	9¼-9⅛	9⅛-9	9⅜-9¼

Long term Eurodollars: two years 9⅝-9½ per cent; three years 9¾-9½ per cent; four years 9¾-9½ per cent; five years 9¾-9½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.7	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.840	3.238	227.0	11.058	2.723	3.653	2392.	2.206	68.00
$	0.543	1	1.760	123.4	6.010	1.480	1.985	1300	1.199	36.96
DM	0.309	0.568	1	70.11	3.415	0.841	1.128	738.7	0.681	21.00
YEN	4.405	8.106	14.26	1000.	48.71	12.00	16.09	10537	9.718	299.6
F Fr.	0.904	1.664	2.928	205.3	10.	2.462	3.303	2163	1.995	61.49
S Fr.	0.367	0.676	1.189	83.36	4.061	1	1.342	878.4	0.810	24.97
H Fl.	0.274	0.504	0.886	62.14	3.027	0.745	1	654.8	0.604	18.61
Lira	0.418	0.769	1.354	94.90	4.623	1.138	1.527	1000.	0.922	28.43
C $	0.453	0.834	1.468	102.9	5.013	1.234	1.656	1084	1	30.83
B Fr.	1.471	2.706	4.762	333.8	16.26	4.004	5.372	3518	3.244	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000. Belgian Fr. per 100.

FINANCIAL FUTURES

Euphoria evaporates

A wave of euphoria pushed US bond futures sharply higher in the London Liffe market yesterday. The base of the firmer trend centred on proposals for reductions in conventional armed forces by Mr Mikhail Gorbachev, the Soviet leader. This, many dealers argued, could help to reduce US defence spending and so reduce the US Budget deficit.

While the implications are *strictly long term*, the markets reaction was instantaneous, with the March contract reacting to the proposals - which had been first mooted on Dutch radio on Tuesday - by opening at 89-26, up from 88-04 on Tuesday. However, the opening level proved to be the day's high, as investors adopted a more cautious approach, and the price made no further gains, finishing at 89-25.

Three-month sterling deposit futures opened on a firmer note, but failed to sustain a trend above resistance at 87.14 in the March contract. The price finished at 87-06, down from 87.16 at the start and 87-08 on Tuesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
90	549	722	3	4
92	355	530	9	12
94	207	351	25	33
96	58	225	112	107
98	20	115	238	161
100	6	37	424	319
102	2	15	620	461

Estimated volume total, Calls 2531 Puts 985
Previous day's open int. Calls 12325 Puts 12709

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
84	606	624	20	60
86	424	461	38	133
88	255	327	105	163
90	141	223	155	259
92	54	137	304	409
94	26	100	440	536
96	13	—	627	—

Estimated volume total, Calls 320 Puts 320
Previous day's open int. Calls 1825 Puts 3669

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
16500	1361	1649	1	89
17000	871	1242	11	182
17500	438	891	78	331
18000	151	606	291	546
18500	32	390	672	830
19000	4	236	1144	1176
19500	0	135	1640	1575

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 6

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8400	1.8347	1.8232	1.8063	1.7810

NON-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.8490	1.8498	1.8466	1.8588
Mar	1.8346	1.8346	1.8310	1.8438
Jun	1.8140	1.8150	1.8140	1.8266

EUROPEAN OPTIONS EXCHANGE

NEDLLOYD P	Fl. 230	72	5	7	10.50 A	-	-	[illegible]
NAT.NED. C	Fl. 60	69	4.80	195	6	185	6.50	Fl. 64
PHILIPS C	Fl. 30	379	1.60	104	2.70	20	3	Fl. 31.10
PHILIPS P	Fl. 35	1015	4.40	4	5.30	1006	5.70	Fl. 31.10
ROYAL DUTCH C	Fl. 230	616	3.30	130	9	10	9.80	Fl. 226.60
ROYAL DUTCH P	Fl. 230	388	6	698	8.50	-	-	Fl. 226.60
ROBECO C	Fl. 100	33	0.30	-	-	-	-	Fl. 95.50
UNILEVER C	Fl. 110	231	6.20	388	9.50	-	-	Fl. 114.50
UNILEVER P	Fl. 120	433	6.10	86	8.20	57	11	Fl. 114.50
VAN OMMEREN C	Fl. 35	145	0.50	170	1.20	95	1.80 A	Fl. 32.20
WESSANEN C	Fl. 80	36	3.40	9	5.60	-	-	Fl. 82.30

TOTAL VOLUME IN CONTRACTS : 65,914
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	Nat Westminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Comm.Bk.N.East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	13	Roxburghe G'rantee	13½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc.	14	TSB	12
Bank Leumi (UK)	13	● Robert Fleming & Co.	13	United Bk of Kuwait	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Mizrahi Bank	13
Bank of Cyprus	13	Girobank	13	Unity Trust Bank Plc	13
Bank of Ireland	13	● Guinness Mahon	13	Western Trust	13
Bank of India	13	HFC Bank plc	13	Westpac Bank Corp.	13
Bank of Scotland	13	● Hambros Bank	13	Whiteaway Laidlaw	13½
Banque Belge Ltd	13	Heritable & Gen Inv Bk	13	Yorkshire Bank	13
Barclays Bank	13	● Hill Samuel	§13		
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.95		
Citibank NA	13	Mount Credit Corp.	13		
		Nat Bk. of Kuwait	13		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22% Sumrise 8.47%. Top Tier-£10,000+ instant access 11.06% ‡ Mortgage base rate. § Demand deposit 8%. Mortgage 12.375% - 12.75%

MONEY MARKETS

UK rates steadier

UK interest rates were confined to a narrow range in London yesterday. Sterling finished on a slightly softer note, as the dollar came back into favour, but there is still a view that UK base rates may yet be held at the current 13 p.c., at least for the time being.

The key three-month interbank rate was quoted at 13¼-13$\frac{3}{16}$ p.c. against 13¼-13⅛ p.c. Overnight money opened at 13½ p.c. and slipped away to a low of 12 p.c. before coming back to finish at 13½ p.c. bid.

UK clearing bank base lending rate
13 per cent
from November 25

The Bank of England forecast a shortage of around £750m, with factors affecting the market including bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £475m, and Exchequer transactions a further £90m. In addition, there was a rise in the note circulation of £180m.

To help alleviate the shortage, the Bank offered an early round of assistance, which totalled £360m, and comprised outright purchases of £10m of eligible bank bills in band 1 at 12⅞ p.c., and £116m in band 3 at 12$\frac{13}{16}$ p.c. In band 4, it bought £4m of local authority bills and £130m of eligible bank bills, all at 12¾ p.c.

The forecast was revised to a shortage of around £600m, before taking into account the early help, and the Bank gave additional assistance in the morning of £188m, through purchases of £151m of eligible bank bills in band 3 at 12$\frac{13}{16}$ p.c., *and in band 4, £8m of Treasury* bills and £29m of eligible bank bills, all at 12¾ p.c. Further help in the afternoon came to £71m through purchases of eligible bank bills in band 3 at 12$\frac{13}{16}$ p.c. Late help came to £25m, making a total of £544m.

In Frankfurt, short term interest rates were quoted just below the Lombard rate of 5 p.c. as traders reacted with disappointment at the latest sale and repurchase tender. A total of DM13.5bn was allocated, at rates of between 4.70 p.c. and 4.95 p.c., against expectations of up to DM16bn. A maturing facility drains DM13.7bn from *the market, and with demand* for funds building up ahead of Christmas and the New Year, as well as a major tax paying season, dealers are expecting a firmer tone in short term rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.7) 3 months US dollars		6 months US Dollars	
bid 9$\frac{3}{16}$	offer 9$\frac{5}{16}$	bid 9$\frac{3}{16}$	offer 9$\frac{5}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9¾-⅝
Fed funds	8½
Fed.funds at intervention	8½

Treasury Bills and Bonds

One month	6.83	Three year	8.88
Two month	7.79	Four year	8.88
Three month	8.23	Five year	8.88
Six month	8.60	Seven year	8.92
One year	8.72	10-year	8.92
Two year	8.86	30-year	8.91

Dec.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.85-4.95	5.05-5.20	5.05-5.20	5.00-5.15	5.05-5.20	5.00
Paris	7⅝-7¾	7⅞-8	8-8⅛	8$\frac{1}{16}$-8$\frac{3}{16}$	8$\frac{3}{16}$-8$\frac{5}{16}$	7.25
Zurich	3¾-4¼	4⅞-5⅛	-	4⅝-4⅞	-	-
Amsterdam	5.31-5.43	5.33-5.43	-	5.37-5.47	-	-
Tokyo	3.96875	4.46875	-	4.40625	-	-
Milan	10⅞-11⅛	12-12½	-	12-12½	-	-
Brussels	5.70	7⅛-7$\frac{3}{16}$	-	7$\frac{3}{16}$-7¼	-	-
Dublin	7¼-7½	7⅝-7⅞	7¾-8	7⅞-8⅛	8⅛-8⅜	-

LONDON MONEY RATES

Dec.7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13½	13	13$\frac{1}{16}$	13¼	13¼	13$\frac{1}{16}$
Interbank Bid	12	12¾	12$\frac{15}{16}$	13⅛	13⅛	12$\frac{15}{16}$
Sterling CDs.	-	-	13	13$\frac{3}{16}$	13⅛	12¾
Local Authority Deps.	12⅞	12⅞	12⅞	13⅛	13⅛	13
Local Authority Bonds	-	-	12¾	12½	12⅝	12⅝
Discount Mkt Deps.	13½	12$\frac{13}{16}$	12⅞	12⅝	-	-
Company Deposits	-	-	13	13¼	13¼	13
Finance House Deposits	-	-	12$\frac{13}{16}$	13¼	13¼	13⅛
Treasury Bills (Buy)	-	-	12$\frac{13}{16}$	12$\frac{13}{16}$	-	-
Bank Bills (Buy)	-	-	12¾	12$\frac{13}{16}$	12⅞	-
Fine Trade Bills (Buy)	-	-	13⅛	13⅛	13⅛	-
Dollar CDs	-	-	9.55-9.50	9.35-9.30	9.35-9.30	9.40-9.35
SDR Linked Dep Offer	-	-	7$\frac{13}{16}$	7$\frac{13}{16}$	7$\frac{13}{16}$	7$\frac{13}{16}$
SDR Linked Dep Bid	-	-	7$\frac{9}{16}$	7$\frac{9}{16}$	7$\frac{9}{16}$	7$\frac{9}{16}$
ECU Linked Dep Offer	-	-	7⅞	7$\frac{15}{16}$	8	8
ECU Linked Dep Bid	-	-	7¾	7$\frac{13}{16}$	7⅞	7⅞

Treasury Bills (sell); one-month 12⅝ per cent; three months 12$\frac{13}{16}$ per cent; Bank Bills (sell); one-month 12$\frac{11}{16}$ per cent; three months 12⅝ per cent; Treasury Bills; Average tender rate of discount 12.5993 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 30, 1988. Agreed rates for period December 26,1988 to January 24, 1989. *Scheme I: 13.27 p.c.*, Schemes II & III: 13.61 p.c. Reference rate for period November 1,1988 to November 30, 1988, Scheme IV&V: 12.251 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from December 1, 1988: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July.5,1988 , Deposits withdrawn for cash 5 per cent.

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WORLD STOCK MARKETS

CANADA

TORONTO
2pm prices December 7

INDICES

NEW YORK — DOW JONES

	Dec 6	Dec 5	Dec 2	Dec 1	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2149.36	2123.76	2092.28	2101.88	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.30	89.02	88.98	89.32	91.25 (3/3)	86.12 (4/1)	–	–
Transport	946.47	946.17	934.86	935.77	946.47 (6/12)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	185.10	184.57	183.74	184.39	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2158.96 (2135.49) Low 2117.18 (2092.64)

STANDARD AND POOR'S	Dec 6	Dec 5	Dec 2	Dec 1	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	277.59	274.93	271.81	272.49	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	319.85	316.92	313.62	313.78	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	25.30	25.00	24.77	24.84	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	155.78	154.48	153.02	153.37	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	297.36	296.75	295.27	295.25	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	377.00	375.41	373.91	373.87	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec 2	Nov 25	Nov 18	year ago (approx.)
Dow Industrial Div. Yield	3.79	3.82	3.83	3.88
	Nov 30	Nov 16	Nov 9	year ago (approx.)
S & P Industrial div. yield	3.21	3.32	3.19	3.31
S & P Indl. P/E ratio	12.64	12.13	12.60	16.39

TRADING ACTIVITY † Volume Millions

	Dec 6	Dec 5	Dec 2
New York	158.340	144.660	125.285
Amex	11.290	11.870	13.830
OTC	116.061	118.669	125.023

NEW YORK	Dec 6	Dec 5	Dec 2
Issues Traded	1,965	1,975	1,929
Rises	899	929	603
Falls	546	533	803
Unchanged	520	513	523
New Highs	33	36	18
New Lows	25	21	20

CANADA

TORONTO	Dec 6	Dec 5	Dec 2	Dec 1	1988 High	1988 Low
Metals & Minerals	2978.1	2992.8	2945.6	2947.6	3226.5 (5/7)	2238.7 (8/2)
Composite	3314.3	3311.2	3293.3	3300.5	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1652.71	1647.13	1633.80	1640.31	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Lilco	8,365,800	12¾	– 1½
RJR Nabisco	2,854,000	91¼	+ ⅝
Upjohn	2,364,500	27¾	– ½
Union Electric	2,149,300	24¼	+ ⅛
AT&T	2,099,400	29½	+ ⅝
British Steel	2,052,000	11½	– ¾
USF&G	1,694,300	30⅝	+ ¼
Texaco	1,616,300	48⅞	+ 1¼
SmithKline	1,498,600	48⅝	+ 2¼
General Electric	1,495,500	45⅛	+ ⅞

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 7	Dec. 6	Dec. 5	Dec. 2	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1471.4	1459.3	1447.2	1450.6	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	673.4	667.2	663.6	660.0	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	219.40	219.70	220.10	221.30	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5357.5	5347.80	5324.60	5338.20	5393.00 (24/11)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	260.35	261.07	258.30	256.36	261.07 (6/12)	180.68 (4/1)
FINLAND						
Unitas General (1975)	743.5	(c)	743.0	744.4	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	(u)	389.7	391.2	(u)	397.2 (9/11)	251.3 (29/1)
Ind. Tendance (31/12/87)	151.9	150.8	149.6	150.0	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	538.10	534.47	529.96	526.55	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1613.8	1603.2	1589.9	1579.3	1641.60 (27/10)	1207.9 (29/1)
DAX (30/12/87)	1299.57	1287.94	1282.23	1275.78	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2690.28	2676.59	2671.21	2667.26	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	575.79	575.83	582.41	585.25	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	30050.82	29669.38	29614.68	29532.25	30050.82 (7/12)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2314.20	2295.24	2289.57	2283.25	2314.20 (7/12)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	278.9	275.6	271.6	272.8	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	246.7	243.3	238.6	240.4	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	425.5	427.18	426.62	426.00	427.18 (6/12)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	998.99	996.14	993.16	999.37	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1391.0§	1388.0	1386.0	1352.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1895.0§	1881.0	1873.0	1864.0	1895.0 (7/12)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	276.64	(c)	275.66	276.89	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3324.3	3331.20	3282.80	3258.86	3331.20 (6/12)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	585.7	583.3	580.5	581.9	585.7 (7/12)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	493.8	492.2	488.5	493.8 (6/12)	401.0 (21/1)

**Saturday Dec. 3: Japan Nikkei 29665.50 and TSE 2295.16
§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday 7 December 1988

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Electric	46.5m	1,040	+10
Mitsui Mining	35.6m	755	+13
Japan Line	32.2m	610	+23
Marubeni	28.4m	790	-5
Nippon Steel	27.4m	924	-9
Kawasaki Steel	25.3m	1,070	-20
Kobe Steel	21.3m	741	-14
Mitsubishi Heavy Ind	19.7m	1,020	-60
Sumitomo Metal	17.1m	752	-10
NKK	15.3m	847	-13

3pm prices December 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14⅞	AAR	.44	1.9	16	110	23¼	22⅞	23	+ ⅛
10⅛	8¾	ACM n				119	9¼	9¼	9¼	– ⅛
12⅛	10⅞	ACMIn	1.28e	12.		325	11	10⅞	10⅞	– ⅛
10⅛	10	ACM M n				150	10	10	10	
12⅛	10⅞	ACMSc	n1.26	12.		861	10⅝	10½	10½	– ⅛
10⅛	8⅝	ACMSp	n1.01e	11.		632	8⅞	8¾	8⅞	+ ⅛
5⅞	2⅞	AMCA	.12e	3.6		76	3⅛	3⅛	3⅛	
6⅞	3⅞	AM Intl				321	4⅞	4⅞	4⅞	+ ⅛
23¼	18¼	AM Int pf	2	9.4		6	21⅛	21⅛	21⅛	– ⅛
55	28⅞	AMR			9	2244	54⅛	53⅝	53⅝	– ⅛
9½	5⅝	ARX			10	39	5⅞	5¾	5¾	
54½	35¼	ASA	3a	7.6		308	39⅛	38½	38⅝	– ½
20¼	11⅞	AVX	.12e	.7	12	9	16½	16¼	16½	+ ¼
52⅞	42⅝	AbtLab	1.20	2.5	15	3280	47¼	46¾	47⅛	+ ¼
27⅞	15⅞	Abitibi g	1			35	16⅛	16	16⅛	+ ⅛
13⅞	7½	AcmeC	.40	5.0		61	8¼	8	8	– ¼
8⅞	5⅞	AcmeE	.32b	5.4	26	1	5⅞	5⅞	5⅞	– ⅛
29½	19½	Acuson			23	222	24⅞	24⅝	24⅞	+ ⅛
17	14½	AdaEx	1.82e	12.		60	14⅞	14¾	14¾	
16⅞	7⅛	AMD			14	7702	7⅝	7⅜	7½	
43½	28¾	AMD pf	3	9.9		153	30½	30	30¼	– ¼
8½	4¾	Adobe				102	6⅞	6¾	6¾	
18½	16¼	Adob pf	1.84	11.		15	17⅜	17⅛	17⅜	+ ⅛
21⅞	19¼	Adob pf	2.40	12.		5	20⅝	20⅝	20⅝	+ ⅛
9¾	5⅞	Advest	.12	1.7	22	77	7⅛	6⅞	7	+ ⅛
52½	38½	AetnLf	2.76	5.7	8	1169	48⅝	48½	48⅝	+ ⅛
34¼	20½	AflPb s	.22	.7		270	31⅞	31¼	31⅝	+ ⅛
18⅝	13	Ahmans	.88	5.5	9	1632	16⅛	15⅞	16⅛	– ⅛
4⅝	1⅞	Aileen				62	3¾	3½	3½	– ¼
[illegible]										

Rothmans
The Original King Size
Rothmans KING SIZE

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
94½	43⅛	RJR Nb	2.20	2.4	16	23813	91⅝	91⅛	91½	+ ⅛
119½	100½	RJR pf	11.50	11.		31	104½	104½	104½	
11⅛	5⅞	RLC	.20	1.8	8	39	11⅛	11	11	+ ⅛
12½	7⅛	RLI Cp	.36	4.7	8	44	7⅝	7½	7½	+ ⅛
6⅞	3½	RPC			18	28	5⅝	5⅝	5⅝	+ ⅛
31⅛	28⅝	Racal n				2420	29⅞	29⅝	29⅝	− ½
1⅜	5-16	Radice				55	15-32	7-16	15-32	−1-32
88⅛	60	RalsPur	1.50	1.9	14	1070	79	78½	78⅝	− ¼
10⅛	5⅛	Ramad				596	9⅛	9	9	− ⅛
6½	3⅛	RangrO			40	182	5⅛	4⅞	4⅞	− ⅛
64⅛	35⅞	Raycm	.32	.9	11	1581	36½	35½	35⅞	− ⅛
12½	8⅞	RJamFn	.15b	1.5	10	19	10⅛	10⅛	10⅛	+ ⅛
21⅝	14⅞	Rayonr	2.60	14.	6	27	18⅛	18	18⅛	
8½	2⅛	Raytch	.05e	1.7		12	3	2⅞	2⅞	
78⅞	67⅛	Raythn	2	2.8	10	579	71⅛	70⅞	71⅛	+ ⅞
2½	½	ReadBt				294	⅞	⅝	11-16	+1-16
5⅛	1½	RdBat pf				20	1½	1½	1½	− ⅛
9⅛	1⅞	RdBt pfA				5	2	2	2	
19	15⅛	REIT	1.34	8.4	14	81	16⅛	16	16	− ⅛
16½	14	RItRef	1.72	12.	8	11	14½	14½	14½	
11⅞	5½	RecnEq			20	164	10⅞	10⅝	10⅝	− ⅛
10⅞	5⅛	Redmn	.36	3.7		6	9⅝	9⅝	9⅝	
18⅞	8½	Reebok	.30	2.8	7	2194	10⅞	10½	10⅝	− ⅛
12⅞	9⅛	Reece	.15a	1.3	17	10	11⅞	11⅞	11⅞	
1	5-32	Regal				139	⅛	7-32	7-32	
6⅛	4⅛	ReglFn	.28e	4.1		211	6⅞	6⅞	6⅞	
[illegible]										
38⅝	19⅝	XTRA	.72	2.0	15	355	36	35½	35⅝	+ ⅝
29⅞	19⅝	XTRA pf	1.94	7.0		55	27⅝	27⅝	27⅝	
50⅞	20	Yorkln			16	45	55	54⅛	54⅞	− ⅛
3⅞	2⅛	Zapata				914	2½	2⅞	2⅞	− ⅛
27⅛	13⅞	Zayre	.40	1.6	168	2899	25⅜	25⅛	25⅛	− ⅝
30	13⅛	ZenithE				3070	17⅝	17	17⅛	− ⅝
10⅛	9½	Zenin n	.60e	6.1		129	10	9⅞	9⅞	− ⅛
3⅞	1	vjZenLb				686	2	1⅞	2	
21⅝	13⅛	ZenNtl	.80b	4.8	7	136	16½	16	16½	+ ⅞
17⅛	11⅞	Zero	.44	2.7	14	248	16⅞	16⅜	16⅜	− ⅞
29	15½	Zurnln	.68	2.4	17	325	28½	28⅛	28⅛	
11⅛	8⅛	Zweig	1.04	10.		293	10⅛	10⅛	10⅛	
10⅛	9	ZweigT	n.16e	1.7		887	9½	9⅛	9½	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices December 7

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2pm prices December 7

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
−X−Y−Z−						
XL Dta		15 274	27⅞	26⅞	27	
XOMA		463	18⅞	12⅞	12⅞	− ⅛
X-Rite s		14 163	9⅛	9	9	
Xicor		12 865	7⅞	7½	7⅞	− ⅛
Xyvsn		374	4⅞	4⅛	4⅛	− ⅛
YelowF	.70	20 148	32⅞	32⅝	32⅝	− ⅛
ZionUt	1.44	7	22⅞	22½	22½	− ⅛

FINANCIAL TIMES

Thursday December 8 1988

AMERICA

Focus turns to Soviet troop plans

Wall Street

AN early gain of about 10 points was eaten into by mid-session, when share prices were little changed, with market attention focusing on Mr Mikhail Gorbachev's speech to the United Nations and his announcement of a unilateral cut of about 10 per cent in Soviet forces, *writes Janet Bush in New York*.

The dollar surged briefly to a high of Y124.15 and DM1.7730 as the General Secretary spoke but then dipped back to trade at Y123.45 and DM1.7595 at midsession.

Bonds rose with the dollar during the speech and then dipped back to stand around ¼ point lower.

At 2pm, the Dow Jones Industrial Average was quoted 0.89 higher at 2,150.25 in active volume of 100.6m shares.

This has been quite an extraordinary week in the financial markets so far with all markets suddenly turning in positive performances which have not been triggered by any particular economic news but a simple change of mood.

Equity dealers are interpreting the market's ability to rise on the most speculative news as positive evidence of an underlying strength in financial markets despite worries about higher US interest rates.

Both bond and equity markets bounced strongly, apparently on rumours on Tuesday that Mr Gorbachev would offer a 30 per cent reduction in troops. The argument was that a reciprocal move by the US would help cut the budget deficit.

However, any such action by the US would be strongly opposed by the military lobby and would anyway take a very long time to show through in the overall military budget.

The 2½ point rally in the bond market on Tuesday had more to do with short covering after Friday's slump on the employment figures. However, bond gains helped the equity market too.

Technically, both the stock and bond markets had room to rally after falls last Friday on stronger than expected employment data for November.

However, rallies this week have more than recouped those losses and have left dealers feeling that both markets are now vulnerable to selling.

In the first two days of this week, the Dow gained 57.08 points, the best performance for some time. Focus is now gradually shifting back to what current thinking is within the Federal Reserve Board on interest rates.

Blue chips were mixed. American Telephone & Telegraph was $¼ higher at $29¾ and International Business Machines dipped $⅜ to $121⅞.

Interco, one of the most actively traded issues on the New York Stock Exchange yesterday morning, jumped $2 to $31¾, apparently because of arbitrage related to the company's restructuring programme.

Lafarge Corp added $1⅛ to $17¾ after an investor group said it was prepared to raise a previous bid for the company which had expired to $35 a share from $30 a share.

WYSE Technology slumped $1⅜ to $7⅛ after the company announced that it would probably report a third quarter loss to December 30.

Syntex added $⅛ to $40¼ after the company said that the Federal Drug Administration had completed its review of its application for approval to market a drug which treats angina and hypertension. Final approval depends on an agreement on how to label the drug.

Canada

NEWS that the Soviet Union planned to reduce its conventional forces also buoyed Toronto share prices, with the midday composite index up 9.1 at 3,323.4.

There was still concern over a possible interest rate rise. Placer Dome, which announced an increased dividend, declined C$⅛ to C$16⅛. Drinks group Seagram, reporting lower earnings, gained C$⅛ to C$72⅛.

SOUTH AFRICA

THE weaker financial rand provided a buffer against falls in precious metal prices and gold shares ended mixed in Johannesburg.

Southvaal firmed R4 to R125 but Freegold lost 75 cents to R29.25.

Dark days for Singapore market

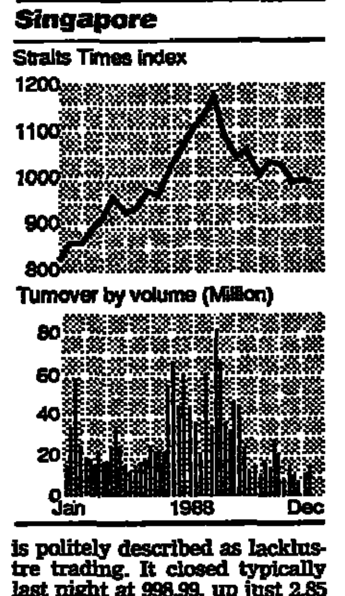
Foreign interest has failed to light up, writes Roger Matthews

THE commercially-oriented island of Singapore has been celebrating Christmas since early November with such enthusiasm that the unofficial but closely-watched local index of Coloured Light Bulbs to Christian Head of Population has soared to extravagant new peaks. And there is plenty to celebrate, even if it does have more to do with sales than souls.

Almost all economic indicators are set fair, with real growth likely to top 10 per cent in 1988 and total foreign trade up by nearly a quarter. Many factories are working to their capacity limits and domestic demand is being stimulated by the rise in industrial wages which could be close to 10 per cent this year as the labour market gets steadily tighter.

The one sector where job opportunities are becoming fewer and the end-of-year bonuses disappointingly small is stockbroking. Having survived October 1987 in remarkably good shape, in spite of suffering one of the world's largest percentage falls, the Singapore equities market has failed to sustain its earlier gains and is ending the year stuck firmly in the doldrums.

No one, it seems, much wants to deal. For the past month, the Straits Times industrial index has scarcely moved, edging up or down within a 25-point range in what is politely described as lacklustre trading. It closed typically last night at 998.99, up just 2.85 on the day, giving only a passing nod to Wall Street's enthusiasm for President Gorbachev and the late buying surge in Tokyo.



The decline in volume has been even more marked with just 8.46m shares traded on Monday last week, the lowest for 10 months. Average daily turnover for the week as a whole was less than 12m shares valued at just over US$12m, compared with 15.6m shares and US$17m during the previous five days.

Most brokers agree there is one basic reason for the market's torpor: lack of foreign interest. "Singapore is to some extent paying the price for having relied excessively in the past on foreign institutional buying, in particular from London," commented one broker. "When this dries up, as it has in the past couple of months, there are few local players with both the muscle and the enthusiasm to maintain respectable turnover levels."

It has also helped to create a psychological atmosphere in which very mildly negative news tends to be given excessive weight. For example, government plans to check the inflow of foreign labour by increasing the employers' levy and lowering the ceiling on the numbers that can be employed by individual companies may have a slight effect on profitability, but probably not to the extent that some people fear.

Political developments across the causeway in Malaysia remain an underlying concern. The decision by Seagate – until recently Singapore's largest private sector employer – to trim its local workforce in response to the glut in the world supply of disk drives for small computers has raised fears that the country has too many eggs in that particular basket.

Overall, however, there seems to be little reason not to share the Government's confidence that, in the absence of a marked downturn in the US economy, Singapore should be able to sustain a growth rate of between 6 and 7 per cent next year.

"Markets, however, sometimes do not seem much impressed by fundamentals and Singapore is a prime example. It is going to take a firm indication of renewed foreign interest to kick the market into life again and not many people expect this to happen much before February or even March," said a broker. "Once the foreign institutions are playing again, then the locals will join in and we could see a significant improvement, both in turnover and prices."

There was at least some relief on Tuesday that Morgan Grenfell's decision to cease market-making in the UK would not have any effect on its Singapore operations. At the end of last month, Citicorp caused consternation locally by shutting down Citicorp Scrimgeour Vickers with the loss of over 40 jobs.

"Everyone has been aware that there would be cuts somewhere because we are just not generating the profits we enjoyed last year and this has hardly helped to create a festive atmosphere," said one of the newer recruits to the Singapore market. "The one sure thing is that this year there will be absolutely no problem in getting our Christmas shopping done early."

EUROPE

Profit-taking fails to take edge off more lively mood

A BUOYANT dollar and gains on Wall Street, aided by news of planned Soviet troop cuts, gave European bourses a lift yesterday despite widespread profit-taking. Speculative activity also made a comeback, *writes Our Markets Staff*.

FRANKFURT made further progress in improved turnover but nervous profit-taking lifted prices off their highs as the FAZ index approached its peak for the year.

Much of the activity was attributed to professionals, but some domestic institutions with extra cash were also reported to be putting small amounts back into the market in anticipation of gains next year, helping drive up shares in the absence of sellers.

The FAZ reached 538.10, a gain of 3.63, leaving it just 4 points short of its 1988 high. At the close the DAX index showed a rise of 11.63 to 1,299.57. Turnover crept up again to DM3.7bn from Tuesday's DM3.45bn.

Banks were a feature, led by Deutsche Bank's DM12.50 advance to DM540.50 on anticipation of good 10-month figures next week. However, Bayer Hypo fell DM5 to DM360 in the wake of its 9.9 per cent fall in 10-month partial operating profits. Its 9.1 per cent increase in administrative costs was a worrying feature, said one analyst.

VW stayed in top gear, gaining DM6.80 to DM334.80, following brokers' recommendations and a 2.7 per cent rise in 10-month world car sales. Securities firm BZW pointed out that while the ordinary shares had had a good run, the preference shares – with no voting powers but with entitlement to additional dividend – had lagged and stood at a 15.5 per cent discount.

Electronics stock Siemens rose DM5 to DM491.50 on international interest in its possible link-up with GEC and Plessey, seen as a way of offsetting the potentially negative impact on the group of German deregulation in 1990.

Metallgesellschaft rose DM19, or 5.6 per cent, to DM359 as a big buy order found no sellers.

PARIS saw the return of some excitement as the focus turned to the defence sector and possible alliances in the industry in Europe.

Speculation was fuelled by Matra's capital-raising programme announced on Monday and the chairman's statement that the company sought alliances, as well as by other link-ups involving competitor companies, such as Thomson-CSF, Siemens of Germany and Plessey and GEC of the UK. One analyst in Paris said: "There's a realisation that there's going to be a massive reorganisation or realignment of defence companies in Europe."

Matra rose by FFr13 to FFr233 with about 150,000 shares traded. Among other defence-related stocks, Intertechnique added FFr178 to FFr1,530 and SFIM put on FFr75 to FFr1,445.

Civil engineering stock Dumez rose FFr38 to FFr745 and GTM-Entrepose, in which it has a 30 per cent stake, put on FFr49 to FFr812.

The OMF 50 index ended 2.65 higher at 409.13. Volumes were estimated to have risen from Tuesday's FFr1.3bn.

ZURICH was cheered by the gains in New York and Tokyo, as well as the firmer dollar, and the Crédit Suisse index rose 2.2 to 512.9.

Foreign activity was again curtailed by speculation about whether Swiss companies would alter their share structure in the wake of Nestlé's move. It was thought unlikely that companies with property holdings, such as insurance and chemicals stocks, could open up their registered shares to foreigners because of Swiss laws forbidding foreign property ownership. But one analyst suggested that a way around that might be to offer only one type of share and then place a ceiling on the amount allowed to be held by overseas investors.

AMSTERDAM was driven higher by a sharp rise in the dollar and Wall Street's strength, together with an upward revision of 1989 economic growth forecasts by the Central Planning Bureau.

The CBS all-share index shrugged off profit-taking to end 0.9 higher at 101.4 in moderate trading.

Steel group Hoogovens shed 60 cents to Fl 72.40 after its strong rise to a new 1988 high earlier this week. Aegon, the insurance company, gained Fl 1.20 to Fl 84.80 on expectations of good nine-month figures today.

Publisher KNP, which had a presentation in London, was up Fl 1.60 at Fl 43.80.

STOCKHOLM came off early highs to end little changed as profit-taking pared some of the gains seen in the past two sessions. Turnover was active at SKr420m, but down from Tuesday's SKr552m, one of the best days of the year.

Atlas Copco continued its strong run, adding SKr5 to SKr282 on perceptions that it had lagged the engineering sector.

The Affärsvärlden general index ended just 0.1 higher at 986.7. Warburg Securities said in its latest international asset briefing that Sweden could rise a further 10 per cent, with liquidity boosted by the increase in the wage earners' funds in September and the recent tax reform proposals.

MILAN remained quiet before today's holiday, with the Comit index just 0.04 lower at 575.79. Telecommunications issues were generally easier again, but Setemer, an Ericsson subsidiary unconnected with the complex restructuring of Stet, rose L500 to L18,300.

MADRID closed higher as bargain-hunters appeared in response to the market's recent weakness, and the general index rose 0.98 to 276.64 in thin trading, curtailed by the public holidays on Tuesday and today.

BRUSSELS saw a further recovery in Fabrique Nationale and Gechem, which slumped after news of recapitalisation plans unveiled two weeks ago. The cash market index added 9.7 to 5,357.5.

FN added BFr68, or about 9 per cent, to BFr798 and Gechem rose BFr120, or 14.5 per cent, to BFr950, both in heavy turnover. There was speculation that parent company Société Générale de Belgique was bidding up the price to foil rumoured attempts by a group of small shareholders to build up a minority to block the recapitalisation plan.

COPENHAGEN also fell back after its record run. The all share index gave up 0.72 to 260.35.

ASIA PACIFIC

'Witching hour' helps Nikkei break 30,000

Tokyo

THE CONTINUED search for underperforming issues and the expiry of stock index futures contracts helped send the Nikkei average surging through the 30,000 level to a new all-time high in Tokyo yesterday, *writes Michiyo Nakamoto in Tokyo*.

Share prices climbed throughout the session, with the Nikkei closing at its high for the day, up 381.44 at 30,050.82. The day's low was 29,675.40.

Far more issues rose than fell, at 640 to 273, while 157 closed unchanged. Volume was slightly lower at 1.04bn shares compared with the 1.07bn traded on Tuesday.

The broader-based Topix index added 18.96 to 2,314.20 and in later trading in London the ISE/Nikkei 50 index gained 2.65 to 1,888.80.

The steep rise in the Nikkei followed increased demand for issues left behind in the market's recent rally. Mr Makoto Matsuzaki, a broker at US securities firm Goldman Sachs, called it "smoothing the bumps" between the market leaders and the underperformers.

The fact that the much discussed 30,000 mark – seen as an important psychological level – had been breached could trigger a vertiginous reaction and lead to another bout of selling, he said.

The flurry of activity seen in the final hours of trading was attributed to an influx of cash from the stock index futures market, a phenomenon called the "witching hour" which occurs when a heavily-traded futures contract reaches expiry. The release on Tuesday of Japan's third quarter gross national product figures, which showed a seasonally adjusted annual growth rate of 9.3 per cent, also helped reaffirm faith in the underlying strength of the Japanese economy.

Buying interest focused on relatively cheap-looking underperformers and spread to a full range of domestic demand-related issues. Large-capital steels and shipbuildings, which had been leading the market, were mainly out of favour.

Electricals and pharmaceuticals were widely selected as laggards. Mitsubishi Electric, which was felt to be cheap compared with other electricals, topped the volume list with 46.5m shares traded, rising Y10 to Y1,040. NEC added Y90 to Y2,020, Matsushita firmed Y50 to Y2,410 and Sony advanced Y190 to Y6,820.

Mitsui Mining and Smelting was featured as a low-priced issue benefiting from the strong copper market. It was the second most active stock and rose Y13 to Y756.

Japan Line, the shipping company, was the third most heavily traded issue, rising Y23 to Y610.

Department stores and supermarket chains were selected after the third quarter GNP figures fuelled expectations that income would rise and consumers would have more spending power, while inflation would be kept more or less in check.

Department store Takashimaya rose Y90 to Y2,790 and Mitsukoshi firmed Y40 to Y2,060. Nagasakiya, the supermarket chain, rose Y130 to Y4,690.

In Osaka, investors turned to electricals and other lagging issues, pushing the OSE average up 208.19 to 27,943.22.

Roundup

FRESH corporate speculation and a buoyant performance by Wall Street and Tokyo fuelled gains in the Asia Pacific region.

HONG KONG was buoyed by rumours that the Hongkong Telecommunications share issue was oversubscribed, staging an afternoon rally that took the Hang Seng index up 13.69 to 2,690.28.

Turnover rose to HK$1.1bn from Tuesday's HK$99m with property stocks dominating the most actives list as profit-taking set in.

AUSTRALIA followed Wall Street higher with the All Ordinaries index adding 12.1 to 1,471.4, its second consecutive gain. Interest was limited, however, and volumes moderate, with A$153m worth of shares traded.

Industrials fared well, with Amatil up 18 cents at A$9 and Brambles 20 cents higher at A$10.95.

SOUTH KOREA surged to its third consecutive record high in late dealings. The composite index gained 11.74 to 869.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

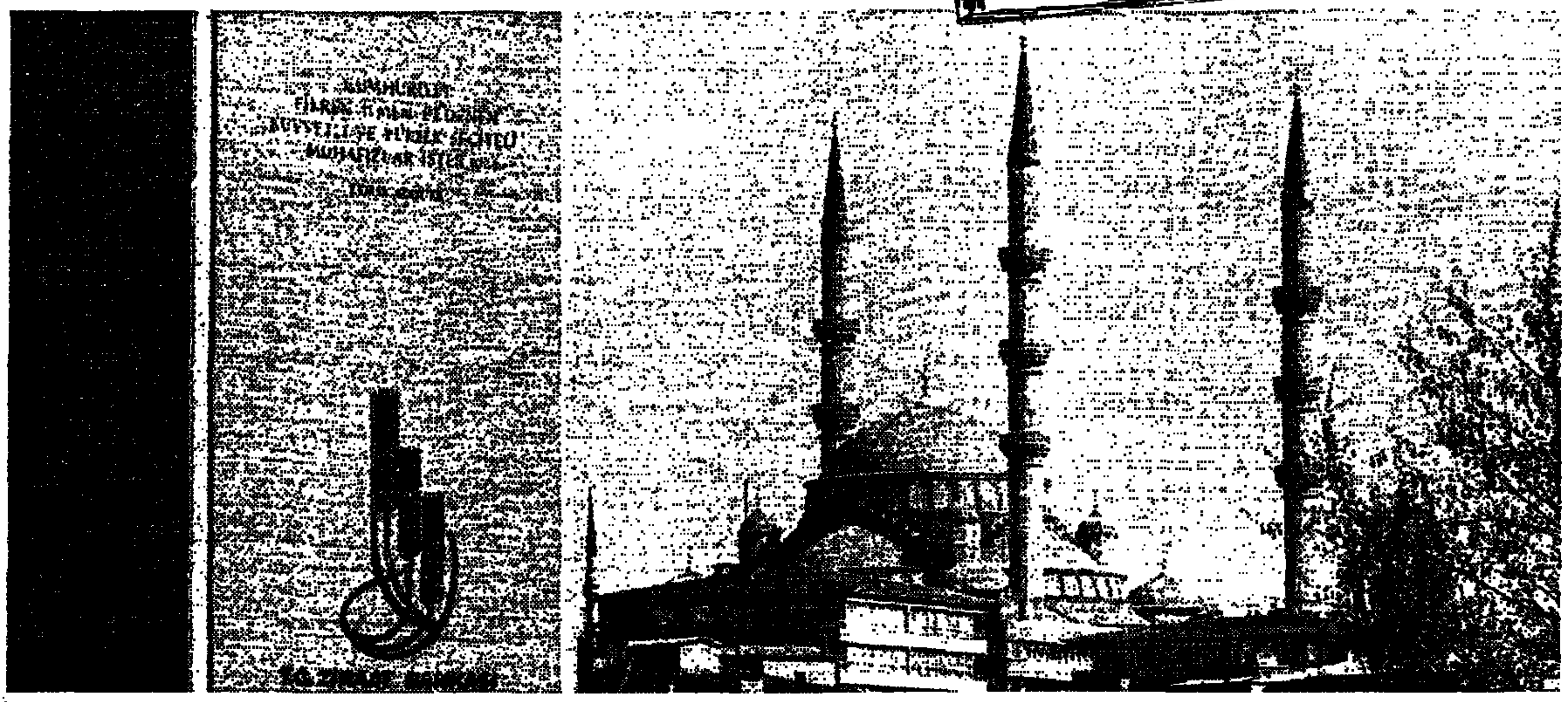
NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 6 1988					MONDAY DECEMBER 5 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	146.15	+1.2	116.15	110.18	4.93	144.39	114.48	109.29	152.31	91.16	91.06
Austria (17)	98.41	−0.2	78.21	88.31	2.44	98.61	78.18	88.22	100.00	83.72	90.83
Belgium (63)	133.57	+0.0	106.15	119.90	4.25	133.57	105.89	119.40	139.89	99.14	95.36
Canada (125)	122.73	−0.2	97.53	105.66	3.39	122.91	97.45	105.55	128.91	107.06	105.38
Denmark (39)	159.19	+0.8	126.51	144.25	2.10	157.96	125.23	142.49	159.19	111.42	110.38
Finland (26)	137.58	+0.0	109.34	117.49	1.43	137.52	109.03	117.49	139.83	106.78	–
France (130)	110.64	+0.0	87.93	102.65	3.16	110.64	87.72	102.22	112.05	72.77	79.43
West Germany (102)	87.57	+0.3	69.60	78.88	2.36	87.35	69.25	78.29	88.21	67.78	73.09
Hong Kong (46)	111.23	+0.2	88.40	111.30	4.64	111.01	88.01	111.17	111.86	84.90	76.68
Ireland (18)	132.64	+0.7	105.41	120.85	4.16	131.71	104.42	119.66	144.25	104.60	96.93
Italy (98)	84.95	−1.6	67.51	81.21	2.49	86.35	68.46	82.19	86.73	62.99	76.43
Japan (456)	190.92	+0.0	151.73	146.87	0.51	190.93	151.37	146.58	190.93	133.61	139.60
Malaysia (36)	140.01	+0.4	111.27	144.40	2.93	139.45	110.56	143.59	154.17	107.83	94.37
Mexico (13)	169.96	−1.5	135.07	424.98	1.20	172.54	136.79	431.05	182.24	90.07	116.82
Netherland (38)	110.56	+1.0	87.87	98.27	5.02	109.50	86.81	97.18	111.00	95.23	91.04
New Zealand (25)	68.70	+0.5	54.60	55.61	7.10	68.34	54.18	55.33	84.05	64.42	75.72
Norway (25)	129.91	−0.3	103.24	113.42	2.56	130.34	103.34	113.67	132.23	98.55	96.41
Singapore (26)	118.92	+0.4	94.51	106.42	2.55	118.49	93.94	106.01	135.89	97.99	81.21
South Africa (60)	126.28	+0.5	100.36	100.37	4.63	125.60	99.58	99.83	139.07	98.26	135.45
Spain (42)	148.94	−0.2	118.37	126.94	3.22	149.21	118.30	126.94	164.47	130.73	116.19
Sweden (35)	142.90	+1.8	113.57	126.98	2.25	140.44	111.34	124.58	142.90	96.92	94.26
Switzerland (57)	79.25	+0.1	62.99	71.37	2.38	79.15	62.76	70.91	86.75	74.13	76.40
United Kingdom (317)	137.80	+0.1	109.51	109.51	4.83	137.71	109.18	109.18	141.51	120.66	118.99
USA (577)	113.03	+1.0	89.83	113.03	3.61	111.92	88.74	111.92	115.55	99.19	95.46
Europe (1007)	114.87	+0.0	91.29	98.06	3.80	114.83	91.04	97.71	116.61	97.01	95.74
Pacific Basin (680)	185.81	+0.0	147.67	143.77	0.74	185.75	147.27	143.45	185.81	130.81	135.35
Euro-Pacific (1687)	157.42	+0.0	125.10	125.65	1.64	157.36	124.76	125.32	158.08	120.36	119.53
North America (702)	113.54	+0.9	90.23	112.59	3.59	112.50	89.20	111.55	116.07	99.78	95.99
Europe Ex. UK (690)	100.43	+0.0	79.82	91.16	2.99	100.41	79.61	90.79	101.29	80.27	81.32
Pacific Ex. Japan (224)	124.86	+0.8	99.24	104.63	4.78	123.86	98.20	104.04	128.27	87.51	83.94
World Ex. US (1885)	155.90	+0.0	123.90	124.86	1.72	155.85	123.56	124.54	156.39	120.26	119.21
World Ex. UK (2145)	139.61	+0.3	110.96	122.00	2.04	139.14	110.31	121.40	139.61	111.77	109.15
World Ex. So. Af. (2402)	139.52	+0.3	110.88	120.94	2.27	139.07	110.26	120.37	139.52	113.26	109.85
World Ex. Japan (2006)	114.66	+0.6	91.12	107.14	3.73	113.99	90.37	106.40	115.54	100.00	95.84
The World Index (2462)	139.43	+0.3	110.81	120.80	2.29	138.99	110.20	120.23	139.43	113.37	110.01

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Markets closed December 6: Finland and Spain.
Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES SURVEY



Turkish Banking
Finance & Investment

CONTENTS

Prime Minister Turgut Ozal's second government faces big economic problems. Industry and workers are groaning under annual inflation exceeding 80 per cent. Concern now focuses on whether the authorities can enforce an austerity budget, reports Jim Bodgener

A hostage to inflation

THE GOVERNMENT of Prime Minister Turgut Ozal is making all the right noises a year into its second term. An austerity budget was introduced in November and in theory there appears to be a short-sharp-shock action plan that will integrate with medium and long-term structural adjustment goals.

But the local business community and western multi-lateral lenders, like the World Bank and the International Monetary Fund, are uneasy about the government's political capacity to push through stiff measures to curb inflation, currently exceeding an annual 80 per cent. This apprehension also permeates the higher echelons of the central bank, treasury, and State Planning Organisation (SPO).

Export-driven structural adjustment during the 1980s has been held up as a paragon to the rest of the developing world by the World Bank and the IMF. With an improving current account, the Turkish success story still sparkles in the eyes of the international banking community, despite exceptionally heavy debt servicing this year of about $7.3bn. Tourism is booming, and exports, though moderating, are still increasing at a healthy pace.

But during 1988, both the World Bank and the IMF have grown progressively disenchanted with the economy's domestic performance. Their view is that the Ozal Government has failed through gradualist measures – especially more efficient tax collecting and book-keeping – to check the wayward drift of the economy since 1987.

This was largely the result of the profligacy of an election year, when the Government, backed by a unified party in the first flush of victory and with a strong majority in parliament, had the opportunity to discipline the economy but failed to do so.

The government has pledged it will increase tax revenues to narrow the budget deficit, which stood at TL1.75 trillion ($1.2bn) for the first seven months of 1988 compared with a year end target of TL2.4 trillion ($1.7bn). The litmus test will be how far it is prepared to squeeze high income groups. There is much truth in opposition criticism that the government, through its export drive, has presided over a more unequal shift in the distribution of income in favour of a newly-rich class of traders and currency speculators.

The ugliest aspect of this are those embezzling the state through fictitious export returns to claim export tax rebate incentives, an activity estimated to have amounted to about 5 per cent of the total $10bn in overseas sales in 1987.

Back-bench rumblings of discontent in the ruling Motherland Party (Anap) have also increased, fanned by an unsuccessful referendum in September on whether or not to hold early local elections. For the first time in two premierships, Mr Ozal, whose hallmark has been astute strategic opportunism, appears to have been outflanked.

Serious bickering can be attributed to jockeying for position within the party, but there is evidence, too, that, under extreme pressure, Anap could come apart at the seams. It is still very much cobbled together from the rubble of pre-1980 parties.

With the lack of a designated or natural successor, Mr Ozal's leadership rather than a core ideology – apart from an ill-defined conservatism expressed in paternalistic developmental rhetoric – is the cement binding Anap.

The challenge to Mr Ozal's leadership has for the present subsided. Instead, the focus is on the factional infighting between the two wings of the 'holy alliance' in Anap, the Islamic conservatives and right-wing nationalists. There is some truth in dissenters' claims that Mr Ozal has retreated too far from the party's grass-roots into a distant and arbitrary rule surrounded by his family and sycophantic advisers.

He may have designs on the presidency when President Kenan Evren steps down in November, but the path is cluttered with the local elections in March and the economy's ills. Instead Mr Ozal may have to satisfy his presidential ambitious through the election of a proxy candidate.

Despite its national unpopularity, Anap is unlikely to receive a drubbing in the local elections, largely because it has better candidates, is more efficiently organised and being in government, it can sweeten voters by delivering on earlier pledges, such as infrastructure projects.

In Istanbul, for example, the mayor, Mr Bedrettin Dalan, often seems to treat the city as a personal fiefdom. Nevertheless, the main opposition Social Democratic Populist Party (SHP) and the True Path Party (TPP) have already said they will maul Anap by turning the local elections into a national test of confidence in his leadership, just like last September's referendum.

Big business is also disenchanted and has indicated as much to both opposition parties. The opposition parties have, in turn, charged this year that the Ozal Government has failed to stimulate industrialisation, and has driven Turkey deeper into debt to the West.

The captains of private sector industry have become vociferously critical of the government, through the powerful lobby group, the Turkish Industrialists' and Businessmen's Association (Tusiad).

Commercial activity remains sluggish, with borrowing costs as high as 140 per cent a year. Major industrial groups are cutting production, running down stocks and retreating into liquidity.

The SHP is troubled, too, by disputes between its centre, left and far left, loosely intermediated by the partnership that has emerged between its amiable, academic leader, Professor Erdal Inonu, and its pragmatic secretary general, Mr Deniz Baykal. Although the latter was twice a minister in the 1970s in governments of the now banned Republican People's Party (RPP), at times Professor Inonu seems more in direct line of descent to the RPP's closed, command 'etatism'.

To some extent, they are foils for one another – Mr Baykal speaking for the centre, and Professor Inonu holding the left's allegiance to the SHP. For the present, Mr Baykal seems content with this. "I prefer that this collaboration should continue," he says. "It is an asset, enriching the party."

In terms of survival, the local elections in March may be more of an important contest for the conservative TPP than either of the other two larger parliamentary parties. A poor showing could put Mr Demirel's future at stake with the party's central Anatolian power networks, impatient to capitalise on ground lost on the right by Anap, according to opinion polls.

All parties need to seriously address inflation. Low fixed-income workers with least access to the informal economy to supplement their earnings are seething with frustration.

Urban unrest is gathering, breaking out in isolated incidents of urban terrorism. But the military have not stirred yet in their Kemalist self-appointed role as defenders of the state's integrity in the tradition established in the 1920s by the republic's founder, Mustafa Kemal Ataturk.

In the trades unions, shop floor militancy suppressed under martial law has re-emerged to compromise the moderate old guard leadership of the main trades union confederation, Turk-Is. The likelihood of a series of major strikes deep into the winter is still a real threat.

Social distress also goes a long way to explain the creeping resurgence of Islamic fundamentalism, which in the lower echelons of the bureaucracy and security services undermines Ataturk's secular foundations of the republic.

Underlying all these short-term difficulties is the inexorable pressure of population growth, currently around 2 per cent and 2.5 per cent in a country of an estimated 55m, and an urbanisation rate as high as 6 per cent for the main conurbations like Istanbul and Ankara.

"We foresee that Turkey will have to keep growing for the next 20 to 25 years if we are to meet the demands of the people for better social conditions and living standards," says State Minister Mr Adnan Kahveci.

So far, the Ozal government can claim a significant degree of success in maintaining democracy while sustaining rapid development under the pressure of heavy external debt servicing.

Meanwhile, the government still officially rejects a separate ethnicity for Turkey's 8m strong Kurdish community, even though it recently gave asylum to about 50,000 Iraqi Kurdish refugees fleeing from the regime of President Saddam Hussein in neighbouring Iraqi.

In the last resort, Turkey's application for full membership of the European Community will probably be judged in Brussels on these and other human rights grounds. Right now, Turkey's economic and technical compatibility are under scrutiny; the European Commission is due to deliver an opinion in the next year or so, but when it does, it is likely to fudge the issue. "I wish the Turks had a little bit more realism," said a ranking EC diplomat recently.

At this critical juncture, the government should launch a campaign uniting the state, public and private sectors in a common national purpose in the medium term to cut inflation down to between 15-20 per cent by 1992, says Treasury and Foreign Trade Under Secretary Mr Yavuz Canevi.

This would put Turkey on a more equal footing in negotiations to join the EC. "We definitely have a very important task in front of us, to re-build confidence in the market place," he says. But many in the private sector and the bulk of the population may feel they have already made too many sacrifices.

David Barchard on an economy in need of discipline

Recovery runs awry

ONE YEAR into the life of Mr Turgut Ozal's second government and eight years after the beginning of the "Turkish economic miracle", the Turkish economy is in serious trouble once more.

In November inflation was running at an annual rate of 86 per cent. By the end of the year it is likely to be in three figures. Interest rates on one year deposits are more than double what they were a year ago. Either further hyperinflation or a major recession with grave social consequences seems to loom.

That is the bad news. But the present problems are far from being a repeat of the late 1970s when the country effectively seized up for three years because of balance of payments difficulties.

Mr Ozal's eye throughout the past eight years has been on the balance of payments. His main policy aim has been to avoid the sort of payment crises which periodically paralysed Turkey between 1958 and 1980, while maintaining steady growth.

As a result, the balance of payments is under control, despite a mounting foreign debt burden (now put at about $38.5bn on a Gross Domestic Product of around $60bn,) on which $7.3bn will have to be spent this year alone on interest and capital.

Exports are growing and the current account deficit this year should be an improvement on 1987. Exports totalled $10.3bn in 1987 and should come close to the $12bn mark by the year end, a remarkable performance even if it is below the ambitious target of $12.5bn which the government set for itself at the start of the year.

With imports likely to total $15.2bn, the trade deficit should be close to last year's figure of $3.2bn, while a strong performance in tourism (likely to net more than $2.5bn, by far the highest figure ever) may contain the current account deficit to about $500m, compared with $987m in 1987. The State Planning Organisation hopes that the actual out-turn on the current account will be even better than this.

The story in 1988 has been much like the past three years. The growth target for the year was officially 5 per cent, the usual compromise figure intended to impress the rest of the world with the idea that the supporters of a balanced budget with short-term low growth rates and low inflation were finally making some headway while signalling to the press and public that growth would go on.

And so it did. As usual, by the summer, estimates were showing that the target had been overshot. Preliminary estimates by the SPO in August suggested a GDP growth rate of 7.2 per cent. However, later estimates published in November suggest that the rate for the year may turn out to be under 6 per cent, and point to a slowdown in the economy during the summer and autumn.

Meanwhile, inflation has soared to levels which in Turkey and other newly industrialising countries often precede a political upheaval. Containing inflation, much lip service to the contrary notwithstanding, has never been a major policy priority in the past few years.

There are several rival price indices published by different organisations, but they all tell the same general story: prices rose by 30 per cent in 1983 (the year the government took office); 52 per cent in 1984; 40 per cent in 1985; 26 per cent in 1986; and 39 per cent last year.

The 1988 upturn towards three digit inflation is something new. There are ministers and bankers who inevitably argue that the figures are a temporary blip, caused by over-spending in an election year.

Others are not so sanguine. "It will take three years to get back to where the Turkish economy was a year ago," says a foreign banker in Istanbul. "And where we were a year ago with inflation around 40 per cent was unacceptable in the first place." This seems to be the more widely held view.

The jump in inflation is especially depressing since throughout the summer it looked probable that the monetary and credit controls introduced in early February might bring inflation down to low levels by the end of the year.

Though the statistics available at present peter out in August, it is clear that after several months of tight monetary policies, the government changed course dramatically from late June onwards allowing monetary and credit policy to relax once more.

In July alone, for instance, reserve money grew by 15.5 per cent; M2 rose by 7.7 per cent; and bank credits went up by 4.8 per cent. This, and a likely further relaxation in September when the government was wooing the electorate to vote for it in a referendum which it had allowed to develop into a plebiscite on its own future, seems to have further fuelled inflation.

The backdrop to this is a record of chronic public sector overspending stretching back several years, some of it going on giant defence projects and some of it on roads, transport, and telecommunications. These have often been blatantly wasteful or even unnecessary.

The capital's main street closed for a year while the municipality constructed a mysterious looking tunnel underneath it. There are plenty of parallels in the provinces. Defence industries spending remains a taboo subject. Last month, for instance, a new $360m air defence project was announced.

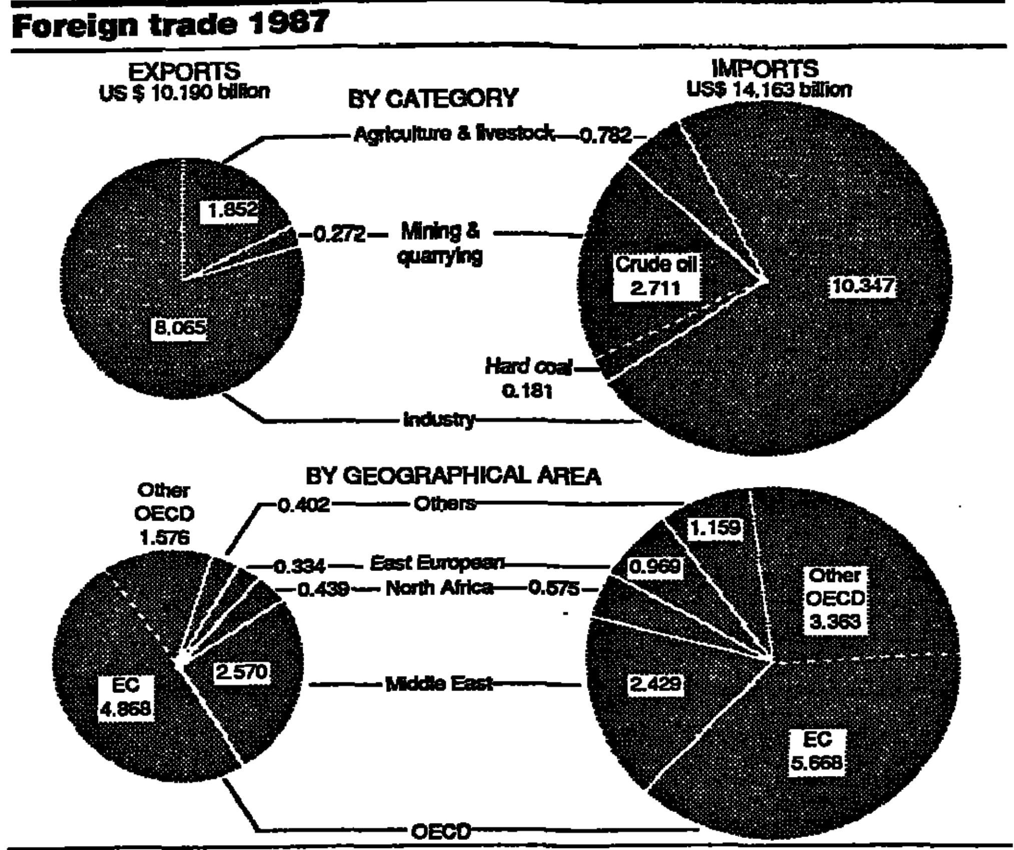
The government estimates that the overall public sector deficit in 1987 was around 9 per cent of GDP, but hopes that the figure will have fallen to below 7 per cent this year.

"It is a question of political will," says an Istanbul banker. "The remedy is in the government's hand."

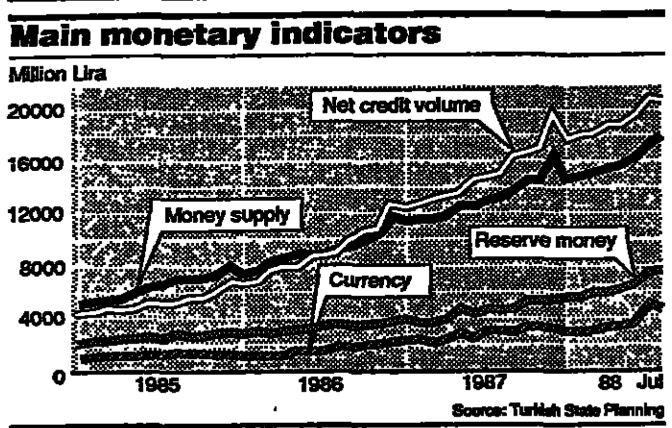
Dr Rusdu Saracoglu, Central Bank Governor, disagrees. He wants a more independent central bank and the government handing over its power to "monetise" its debts. Only that, he believes, would be a strong enough signal to the markets that inflation really is going to come down.

His words have found little favour with the government, but unless something close to his prescription is followed, Turkey's economic future is likely to be less rosy than it is usually portrayed.

Foreign trade 1987

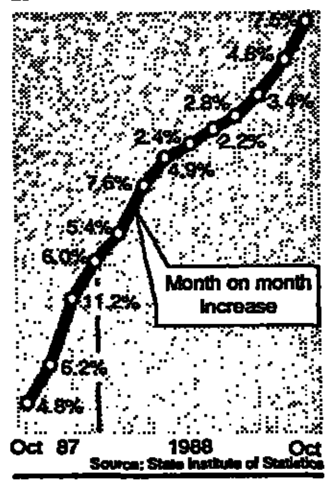


Main monetary indicators



Source: Turkish State Planning

Retail Price Index



Source: State Institute of Statistics

Interview: Prime Minister Turgut Ozal

Troubled times

PRIME MINISTER Turgut Ozal has had a stormy year in 1988, even though his Motherland Party (ANAP) won a comfortable parliamentary majority in the autumn 1987 general elections.

The most pressing problem is the economy, which despite recent austerity measures, still has not recovered from the hangover of the election profligacy last year.

In June, Mr Ozal narrowly survived an assassination bid at the ruling Motherland Party's annual convention. In domestic politics, although Mr Ozal is still the central figure cementing the party, bickering among factions has increased, especially after the September 25 referendum on whether or not to hold early elections. And critics say the Davos process of reconciliation established with Greece in early January is in the doldrums.

Jim Bodgener, our Turkey correspondent, recently interviewed Mr Ozal about these and other issues.

■ **Question: Inflation, which reached 86.4 per cent in the 12 months to October, is generally acknowledged to be the Government's most pressing economic problem. The widening budget deficit appears to one of the main causes. Can it be brought under control?**

□ Answer: The budget deficit is a major cause of inflation but there are other factors. Those other factors are basically different than in most developed countries. Turkey is a developing country, with a rapidly changing social, economic and political structure. This change is taking place in a very short period of time. I call it a basic transformation.

For example, in 1979 the total value of Turkish exports was $2.2bn. But it was the composition rather than the amount of exports that was important. Industrial products accounted for 35 per cent of the total with agricultural products accounting for 65 per cent. With this composition, Turkey would not have been able to overcome its difficulties, especially its development efforts.

The first big problem we faced was the balance of payments deficit. In 1980, for example, the current account deficit exceeded $3bn, while the total foreign exchange revenues amounted to about $3bn.

In 1980, when I took my medium-term programme to the OECD, they were sceptical as to how Turkey would be able to correct this situation. It seemed impossible at that time because the oil bill alone was $3.4bn.

But this year total exports will probably total about $12bn, (the composition is 60 per cent industrial goods, 16.5 per cent agricultural produce; and the remainder mineral exports).

We achieved this by first switching into a flexible exchange rate, and then into a positive interest rate. We have devalued the Turkish lira by more than 50 per cent in real terms from its 1980 level.

That is the reason why we were able to export industrial products, which today account for 80 per cent of total exports. This rapid growth has also fuelled inflation. Anyway, the budget deficit, or the public sector borrowing requirement (PSBR), is roughly 6 per cent of total gross national product. It's not a big figure.

■ **Your Government recently introduced an austerity budget, looking for 5 per cent growth and reducing inflation to 38 per cent this year. However, there are doubts that these targets can be achieved in the present circumstances, particularly in the run-up to the local elections in March.**

□ I have already said that I don't care about the local elections. We have good mayors, most of whom will probably be re-elected. It will be their business, and therefore they have to do much more work than us. I am not going to change my policies because of this.

I did not change them even at the time of the September 25 referendum (on whether or not to hold local elections early or as constitutionally scheduled in March). Since then, we have increased prices for, and taxes on, gasoline and increased some import stamp duties. These are all measures which show we are not swayed by the coming local elections.

■ **Will you attempt to further tighten controls on *municipal spending*.**

□ We have already cut their 1 per cent spending increase for 1988. They will have to concentrate on cleaning their cities, rather than starting big investment projects.

■ **The business and banking community in Istanbul are worried about their present circumstances. They feel very uncertain about your snap decision in early October to free interest rates. What prompted this.**

□ I had this idea for a long time, but the banks resisted it at the beginning. Interest rates were freed in mid-1980, when I was under-secretary to the Prime Minister.

They were controlled again after I left office as Deputy Prime Minister in the middle of 1982. When I returned to power as Prime Minister in late 1983, I wanted to de-control interest rates again, but the banking sector resisted it.

However, my first move was towards floating the Turkish lira. Now it is no longer determined by the central bank; the market decides. The central bank can intervene if it wishes, that's all. But if on the one hand you allow the Turkish lira to float, then you cannot keep interest rates fixed by the cental bank. They too have to be freed.

■ **This year has been an exceptionally heavy one for external debt sevicing. Your critics say that total external debt stock has increased significantly and possibly too much during your term in office.**

□ The basic reason for the increase in external debt is the current account deficit. Before 1980, the current account deficit often exceeded $3bn.

This was the main reason why by the end of 1980 Turkey had accumulated $16bn in external debts. Between 1980 and 1988, Turkey had a current account deficit, but during this period it was on a downward trend. In 1987 it was about $1bn, and this year it will probably fall to under $500m, and it may even be balanced.

According to figures for the first eight months of this year our current account deficit totalled only $130m. The foreign debt is the net effect of this current account deficit. Therefore, in answer to accusations of having increased the Turkish debt, I say it has been necessary because of the need to finance the current account deficit.

But the most important thing is whether or not Turkey can repay its debt. Since the current account deficit is coming down, the increase in the foreign debt will not be on the scale of previous years.

■ **What is the total foreign debt stock.**

□ This year it will be $37bn, less than the 1987 total of $38bn, because of exchange rate differences. This excludes foreign military sales debts to the US.

We are now preparing ourselves for a possible integration into the European Community

■ **The European Community is expected to deliver an opinion in the first half of next year on Turkey's application for full EC membership. Do you think the application will receive due consideration before 1992, and if not will it not be much more difficult for Turkey to join the club.**

□ I don't know when the opinion will be prepared or when the discussions on Turkey's entry to the EC should start. It is not an easy process. I do not think Turkish entry will be before 1992 because discussions with the European Commission will take time. But I am hopeful in general.

■ **Don't you think that once the European single market is created in 1992 it will be be more difficult?**

□ No, because what we are doing right now is preparing ourselves for a possible integration into the common market. We are trying to apply the same standards and rules and are following very closely what is going on in the EC.

Recently we received a Council of Ministers decision to adapt rules and regulations in Turkish ministries so that they would be compatible with the ministries of EC member countries, and also to train staff. We are applying free market policies and I believe these are also useful towards eventually bringing us into the community.

■ **How do you feel about the election in November of Mr George Bush to the Presidency of the US?**

□ It is positive for the West because from the time of President John Kennedy there had been no continuity until President Ronald Reagan's eight year term in office.

As a result, the US, despite its big power base, had somewhat lost its leadership in foreign affairs. Of course, in an election campaign local issues take on much more importance than international affairs, As regards international affairs, I believe the continuity which is ensured by the election of Mr Bush is good for the West.

Terry Kirk

Prime Minister Turgut Ozal: faces increasing economic problems and domestic opposition

هكذا من الأصل

Bruce Clark on possible union between two different partners

A marriage not made in heaven

THEY HAVE been engaged for 25 years. Inevitably, there have been periods of coolness, but each partner has given the other important help, and for all their differences in income, values and cultural background, they need each other.

Suddenly, at a moment when the richer partner is intensely absorbed by private affairs, the poorer one issues an unwelcome challenge: marry me. Turning the moral screw, the poorer partner starts to prepare ostentatiously for the ceremony, and excitedly proclaims that the moment is near.

That seems a fair metaphor for the psychological drama played out between the European Community and Turkey since Ankara applied for full membership in March 1987.

The drama will come to a climax in the middle of next year, when the European Commission, after a two year study, publishes its "Opinion" on the Turkish application, throwing the ball into the 12 existing members' court.

The "engagement" is contained in the 1963 Turkish-EC Association Agreement, which foresees the possibility of membership, and thus pre-empts any *a priori* rejection by the 12 on grounds of geography.

Until the Commission speaks, member states can airily respond to Turkish entreaties by stressing their commitment to a further thawing of the Association Agreement, which the EC effectively put on ice during Turkey's 1980-83 military rule; and by politely declining to comment on membership.

After the Commission speaks (and almost regardless of what it says, for the decision is a political one), the current 12 will have to show their cards, deciding whether to give the Brussels executive a mandate to negotiate entry terms.

Ankara's officials know how hard it will be for the existing members to say no, given the importance to the West of a stable, co-operative Turkey. At the same time, and despite their confident public predictions of entry in 10 or even five years' time, they are shrewd enough to guess what at least some member states would really like to say: if not "never", then "not for the foreseeable future". So the stage is set for a delicate game of bluff and counter-bluff.

The message from Turkish officials is one of galloping optimism.

Never mind that annual GDP per head is just $1,300. Official figures understate the real economy, and Turkey will have had several years of fast growth by the time it joins.

Never mind Turkey's history of intermittent military rule. The democratic values enshrined by the EC Treaties are being consolidated, and membership will consolidate them further. The 1986 general election satisfied observers, bans on old-guard politicians have been lifted, and Communist and religious parties will in due course be allowed.

Never mind that Turkey's inflation and interest rates are 10 times the EC average, making it impossible for Ankara to participate in any common monetary policy. Overheating problems will disappear once the current phase of fast infrastructure-building is over.

Do not worry about Turkish workers flooding the EC labour market. They will only come if there are jobs, in which case the EC will need them.

The consensus among Turkish industrialists in favour of joining seems universal.

"I do not see even one person who will oppose entry," says Mr Selcuk Yasar, president of Yasar Holdings, the banking, agro-business, paint and tourism group. "We are not afraid about the quality of our industry."

Another striking symptom of *Euro-enthusiasm* is the springing up in Turkey's universities of schools of EC studies, awarding MAs and PhDs to dozens of multilingual would-be Eurocrats.

To non-Turkish observers, it looks as though this determined public optimism is intended to be self-fulfilling. Loud, frequent assertions that Turkey *will* join should hasten the structural changes that would increase Ankara's objective chances; they also create a climate where it is even harder for the 12 to say no.

There is no shortage of bread-and-butter arguments against early entry.

■ Could the EC tolerate free influx of cheap Turkish textiles, which are already causing outraged calls among West European industrialists for a tightening of existing quotas?

Hitherto, quotas have had a *paradoxically beneficial effect* on the Turkish industry, encouraging diversification. "They put quotas on yarn, so the Turks go into weaving; they put quotas on cloth, so the Turks go into garment-making," as Mr Mehmet Ali Babaoglou, chairman of a specialist denim-makers, Orta Anadolu, puts it.

But as Turkey's textile industry becomes more and more vertical, the scope for a *modus vivendi* may narrow.

The balance of West European interest would change if more Community textiles turned cheap Turkish labour to their advantage by entering into joint ventures in Turkey, a development that is foreseen by Mr Kudret Yazgan, general manager of the Istanbul-based textile and clothing company, Bozkurt Mensucat. But interest rates and inflation are slowing that process.

■ Could other sectors of Turkish industry withstand competition from the EC?

Even after five years of liberal economics, there are still large areas of state-owned or state-supported industry which would shrivel and die, with dire social consequence, if exposed to free European competition.

Ankara is *committed* to a full liberalisation of its import regime. It resumed a year ago a long-stalled programme of cuts in tariffs on EC goods, and it has actually been rebuked by the EC for over-zealous global tariff cuts which were said to undermine Community preference.

Yet imports continue to attract a complex series of indirect taxes and stamp duties, prompting some Community diplomats to complain that in some ways, the country is growing more protectionist.

■ *Could the Community* afford to extend farm price guarantees, export subsidies and regional aid to 9m Turkish farmers, especially under its new rules designed to curb farm spending?

It is hard to believe that net transfers in aid and price guarantees would be less than the $1bn-$1.5bn per year currently received by Greece, with a rural population of 3m and a similar product mix.

Community diplomats also point to Turkish laws and practices which compromise Ankara's claim to operate a liberal democracy: the confiscation of newspapers and prosecution of journalists for such offences as "undermining national sentiment", the mass military trials of suspected far leftists, and the restrictions on ethnic and religious minorities, and the use of torture.

Apart from these specific points, Community membership raises more fundamental questions about the future of the EC, and about the future of Turkey.

Even on the most optimistic projections of Turkey's growth and democratic evolution, early membership for Ankara would inevitably slow and complicate the conversion of Western Europe into a seamless economic and social web,

Such a slowdown would be deeply unwelcome in the EC's six founder states, where European integration is proceeding with a *momentum* that *often* seems quite independent of the specific political problems that obstruct it.

For Turkey, the following dilemma will sharpen: liberal democracy of the kind that the EC requires will inevitably allow freer expression to *illiberal* forces, in particular those of fundamentalist Islam. If Turkey joins the EC, it will be the Community's dilemma too.

Imports from EC countries ($m)

	1988 (Jan-Aug)	1987	1986
West Germany	1,297.2	2,109.9	1,771.8
Belgium/Luxembourg	299.0	402.7	310.0
Denmark	23.8	48.8	38.7
France	621.1	609.3	545.3
Netherlands	244.4	368.8	264.1
UK	494.8	697.4	518.9
Italy	684.6	1,076.2	868.0
Greece	57.8	126.5	78.3
Spain	179.2	199.2	147.1

Source: State Institute of Statistics

Exports to EC countries

	1988 (Jan-Aug)	1987	1986
West Germany	1,315.7	2,183.6	1,444.0
Belgium/Luxembourg	130.0	318.5	195.1
France	279.2	499.6	298.7
Netherlands	193.4	260.2	222.4
UK	315.9	541.4	334.2
Italy	527.9	850.6	579.8
Greece	56.9	58.9	75.6
Spain	66.8	70.2	59.9

Source: State Institute of Statistics

Middle East

Diplomacy helps bridge the gulf

ONE OF the clearest proofs of Turkey's deep *commitment* to maintaining and extending ties with the Middle East is the determination it has brought to resolving tricky problems in its commercial relations with the region.

The first half of the decade saw a burgeoning of trade with both Iran and Iraq, in the wake of Turkey's aggressive export drive on all fronts, and its intensive diplomatic activity (under the banner of "active neutrality") in the Gulf War.

Turkey's share of Iranian foreign trade rose from *nowhere to 5 per cent, and its* share in Iraqi commerce doubled to more than 10 per cent. Last year the Middle East supplied Turkey with 17 per cent of its total imports (mostly oil from Iran, Iraq and Libya), and absorbed 30 per cent of total exports.

But exports to Iraq, which include iron, steel, chemicals, textiles and food, have run into a bottleneck.

Turkey's business world was stunned earlier this year when the Government, sceptical of Baghdad's ability to pay off a $2.7bn mountain of trade credits, imposed a virtual freeze on new deliveries to Iraq, making them subject to licence from *June onwards*.

Against that background, Turkish officials say it is unrealistic to expect any increase in sales to Iraq next year from the 1987 and projected 1988 levels of around $950m. But, with a new ministerial meeting due in December, they are determined *to find* the financing arrangements that would permit exports to continue at the current total.

Turkey's regional commercial success has been achieved against a background of deft management of political relations

Sales to Iran have also tumbled from their 1985 peak of $1.1bn, barely reaching $260m in the first seven months of this year: one recent factor has been Iranian resistance to higher prices for iron and steel. But Turkish officials are confident both of Iran's creditworthiness and its increased appetite for consumer goods following the end of the war.

The Gulf War ceasefire will *have* mixed economic consequences for Turkey.

On the one hand, Ankara should logically expect to reap the benefits of its diplomacy in the region, whose crowning triumph was an agreement under which Turkey represented each combatant's interests in the other's capital. "We will give full attention to countries – like Turkey – which helped us in wartime," promises an Iraqi *diplomat*.

But on the other hand, far more countries will be competing against Turkey for business with the combatants (in particular Iran) now that it is safe to do so.

Teheran in particular will *wait to see* what credit lines it can obtain from western countries and Japan before dishing out any major contracts in Turkey's direction, diplomats say. What Turkey does stand to gain is a fair slice of subcontracting, and of contracts to supply building materials.

As Turkey assesses the post-war prospects in Iran and Iraq, it will be mindful of some negative experiences in Jordan, where the authorities called in a performance bond (on a trumped up charge of non-completion, in the Turkish view) on a military construction project.

But wariness of the risks does not imply any lack of resolve to seize opportunities *and consolidate relationships*.

One need only look at the faith Turkey is showing in ties with Libya, where Turkish companies have been involved heavily in house-building, and to a lesser extent in Colonel Muammar Gaddafi's project to build an artificial river.

There has been a history of late payments (which Turkish officials charitably attribute to the "internal budget problems" of the Libyan public sector agencies) and, in one case, Turkish workers were stranded in Libya after Tripoli accused *their employers of failing to* pay income tax.

Yet Turkish officials continue to see potential for expanding Libyan-Turkish trade. Under a recent agreement between the two countries, Turkish exporters are promised up-front payment by their own country's central bank of 55 per cent of the value of their deliveries to Tripoli.

According to Ankara officials, who stress that the Libyans are much quicker about paying for goods than for building contracts, exports to Libya are already *looking* much healthier this year than last year, when they totalled $140m including materials supplied to Turkish construction companies.

Oil supplies from Libya are expected to regain their normal level of 2m-3m tonnes next year following the resolution of a pricing dispute which led to a nine-month interruption.

Mr Ahmet Cetinbudaklar, general manager of the agro-business giant, Taris, says Libya (along with the Soviet Union) is one of the few foreign markets where Turkey can easily sell olive oil: EC export subsidies make other third-country markets very hard to crack, *he complains*.

In his native Izmir, he also observes an astonishing and little-noticed form of Libyan-Turkish commerce: the arrival at the port of up to seven Libyan cruise ships per month, whose passengers spend millions of dollars a year in local shops.

The recent downturn in exports to Iran has been balanced by the healthy trend in sales to Kuwait (whose purchases from Turkey more than doubled last year to $248m) and by steady sales on the Saudi market (up by $50m last year to $408m, and set for a similar performance in 1988). Exports to the smaller Gulf states remain at low levels.

The South-East Anatolia Project, a chain of 15 dams and 18 hydro-electric power stations which Turkey plans to *complete by 2,000, has in the* short term caused some delicate problems in economic relations with Iraq and Syria.

Baghdad and Damascus are concerned that Turkey will restrict the flow of water from the Tigris and the Euphrates rivers, a vital resource for them.

At a ministerial meeting between the three countries in November, the Turkish Public Works Minister, Mr Safa Giray, promised that Ankara would be "considerate" about the water needs of its neighbours.

In the longer-run, Turkish foreign policy experts like Professor Erol Manisali maintain that the dam and hydro-electric project could benefit Turkey's neighbours, providing a market for Syrian fertilisers and natural gas and boosting cross-border trade.

Turkey's commercial success among its Arab and Iranian neighbours has been achieved against a background of remarkably skilful management of political relations, aimed at heading off some potentially explosive problems.

Officials in Ankara maintain that their low-key diplomatic

Continued on following page

David Barchard on the uncertainty in the financial services sector

Interest soars in a troubled market

TURKEY'S latest economic crisis has dealt its financial services sector the sharpest blow it has experienced since the early 1980s. Interest rates have soared to levels never seen before: 85 per cent on one year deposits; up to 40 per cent on sight deposits; and over 140 per cent net to borrowers. In October the Interbank overnight rate even briefly touched 340 per cent.

These rates follow the Prime Minister's decision on October 11 to free interest rates for the second time in Turkish history. Last time interest rates were freed in Turkey, in July 1980, the experiment was fiercely resisted by the banks which formed a cartel, known as "the Gentlemen's Agreement" to set interest rates, though a little "under the counter" competition is believed to have taken place.

Unauthorised money brokers sprang up alongside the official savings market and the experiment broke down exactly two years later, in June 1982, with a major crash which wiped out the savings of many middle class families.

The 1988 experiment has turned out a little differently. Instead of clubbing together, the new rates produced just what even self-professed advocates of deposit rate competition, such as Dr Rusdu Saracoglu, the Central Bank governor, had always feared.

The market began to take off vertically with some of the weaker Istanbul banks, and even some large state banks, pushing their rates up towards 90 per cent to lure funds away from the deposit-rich private sector banks such as Turkiye Is Bankasi and Akbank.

Banks are responding to a series of jolts by "taking fewer risks and doing less business"

After two days, Dr Saracoglu had to blow the whistle and impose a ceiling of 85 per cent on one year deposits. There had already been clear signs that a run on the market was getting under way. Depositors and bank officials had come eyeball to eyeball in several banks, and Akbank had actually refused for 24 hours to release term deposits early to allow investors to switch into the higher rates.

Despite the ceiling, the competition nevertheless remains. All the major banks have pushed their one year rates up to the maximum permitted level of 85 per cent. With inflation expected to rise still further before the end of the year, a further rise could be in prospect. However, three small banks, Iktisat, Uluslarasi, and Ekonomi, have held their rates down.

On the current account side, competition remains and the picture is more varied, with Akbank, Is and Yapi Kredi holding their rates down to 10 per cent, but Ziraat (the state-owned agricultural finance giant) offering 38 per cent, as do other state banks such as Vakiflar and Halk Bankasi. Two state banks, Emlak and Sumerbank, offer 40 per cent.

"All this suggests one problem for the Turkish banking sector," says Dr Aydin Ulusan, deputy general manager at Standard Chartered's Istanbul branch. "What can you do with the money, if you borrow at 85 per cent and have to lend at around 150 per cent?"

Terry Kirk

Turkey's bankers know a lot about the risks of lending to industry at high rates. Between 1980 and 1985 most of the major banks are believed to have accumulated a crippling burden of non-performing loans by lending to industry. Six banks went out of business between 1983 and 1987 as a result and a seventh was bailed out by the Treasury. At the worst stage, nearly half of total bank lending is thought to have had problems.

The government responded by creating a highly profitable environment in which spreads were very wide, though rates to depositors were generally kept above inflation. That – combined with annual inflation rates averaging more than 30 per cent – helped shrink many of the bad debts the banks were carrying.

By last year things had improved to a point where a much tighter regulatory environment seemed possible and where all banks could be required to have their balance sheets independently audited by a firm recognised for the purpose by the Central Bank.

Since then, however, the markets have received one jolt after another: a foreign currency famine and a glut of liras at the end of last year; a sharp tightening of monetary and credit controls in February; a sudden relaxation of interest rates and monetary policy in August and September; and then the October crisis.

"Banks are responding to this situation by becoming more inactive, taking fewer risks and doing less business," says an Istanbul banker. Like other bankers, he tends to feel that the managerial culture of the largest state banks is one of the problems.

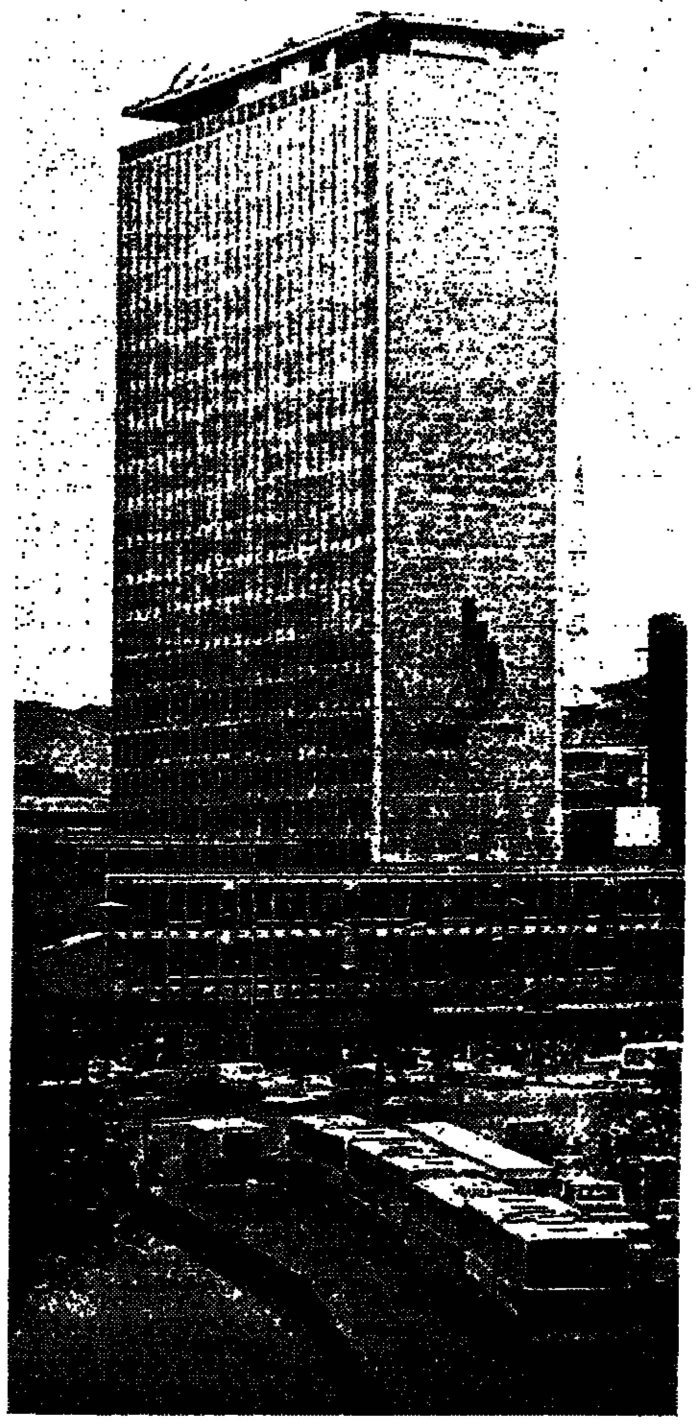
"People here haven't yet fully absorbed the profit motive. The big state banks are moving towards the idea of operating for profit, but they have an awful lot of obstacles to overcome. And some of the other large banks attach as much importance to personal spite or pride as they do to making a profit on a particular deal. Those kinds of jealousies were the reason why the Interbank had to be set up and operated by the Central Bank."

Many of Turkey's leading banks have radically restructured their management teams

Changes are under way at the major state banks. At Ziraat, Dr Coskun Ulusoy, still only in his mid-thirties is running the country's largest bank with a branch network of 1,200. He has introduced a second tier of US-trained managers and is reforming the bank's managerial culture.

Last July he caused major distress to many of his employees by ordering transfers of all branch managers who had spent more than five years in a particular branch, in order to sever the sometimes over-intimate connections between bank branches and their customers.

Major upheavals are still in progress at Emlak, created out of a merger of Emlak Kredi, the state housing credit bank, and Anadolu. McKinsey, the international banking consultants, is advising Mr Bulent Semiler, the general manager of Emlak, on the restructuring of the bank. At Denizcilik Bankasi, reputed to be the state bank in the worst difficulties, Mr Engin Civan, a former World Bank official, has been placed in charge. There are new management teams at Vakiflar Bankasi and at Halk Bankasi.



The Ankara head office (above) and one of the 1,200 branches (right) of Turkey's largest bank, Ziraat, where the head, Dr Coskun Ulusoy, is reforming the management

At the other end of the market, however, among the smaller banks specialising in trade finance, things are much flatter. Several report that even without the events of October 1988 profits would mark time in Turkish lira terms.

The foreign banks in particular are hit both by increased competition and the steady erosion of their working capital by inflation. There have been some striking local success stories, notably that of Finansbank, set up a year ago.

As 1988 ends, Turkish banks have hardly begun to think about another long-term shadow on the scene – the application of the BIS guidelines on capital adequacy. The stronger banks will be able to meet the Basle requirements fairly easily but for many Turkish banks they are likely to pose further problems.

Diplomatic rewards

Continued from previous page

approach has succeeded in keeping within reasonable bounds the amount of "interference" in Turkey's internal affairs from fundamentalist Iran.

By interference, they mean Teheran's Turkish-language broadcasts attacking Turkey's secular status, and probably also Iranian financial support for fundamentalists in Turkey.

The underlying tensions do come to the surface from time to time: Iran last month ask two Turkish diplomats to leave the country, reciprocating a similar move by Ankara against two diplomats from Teheran who were caught trying to abduct an Iranian engineer.

But the Turkish foreign ministry played the matter down, refusing at first to confirm the expulsions by Teheran.

Likewise, Ankara has not allowed any deterioration in its political relations with Iraq to result from the arrival in Turkey this autumn of up to 100,000 Iraqi Kurds, fleeing what the US alleges were chemical weapon attacks.

By refusing to allow UN experts to inspect the refugees, Turkey has (whether intentionally or not) avoided compounding Iraq's embarassment.

Bruce Clark

Exports to Middle East Countries ($m)

	1988 (Jan-Aug)	1987	1986
Iran	303.5	439.7	564.4
Iraq	852.6	945.3	593.3
Saudi Arabia	243.2	408.4	357.4
Kuwait	127.9	247.5	120.8
Syria	76.5	60.6	62.0
Jordan	101.9	171.7	169.0
Libya	141.1	140.7	135.8
Egypt	111.1	138.8	145.2
Algeria	131.3	141.9	177.6

Imports from Middle East countries ($m)

	1988 (Jan-Aug)	1987	1986
Iran	510.4	947.6	221.3
Iraq	1,048.0	1,154.0	768.7
Saudi Arabia	134.6	168.1	175.7
Kuwait	43.9	74.5	208.9
Lebanon	2.0	7.7	5.9
Syria	1.7	5.1	19.0
Jordan	15.1	19.1	9.6
Libya	40.7	304.7	292.2
Egypt	9.8	12.6	17.0
Algeria	84.4	131.9	31.5

Source: State Institute of Statistics

Terry Kirk

Istanbul Stock Exchange where, according to chairman Mr Muharrem Karsli, a minor recovery has now eased several months of declining fortunes

Personal customers now have a wider choice, writes **David Barchard**

Plastic revolution on the cards

SOMETHING NEW is about to happen in Turkish banking. After decades when banks regarded the individual customer as little more than a milch-cow for cheap deposits, one of the major Turkish banks has begun to offer some of its customers some unfamiliar novelties: personal loans, credit cards and gold cards, cash cards for sophisticated ATM (automatic teller machine) services and lobby banking.

Other major commercial banks are watching closely. Most of them doubt that the experiment will bring much in the way of profits to its author, Yapi ve Kredi Bankasi of Istanbul. If it does, they will undoubtedly copy its example.

"About 80 per cent of deposits in the banking system in Turkey are generated by individuals, and only 20 per cent by corporations, but when it comes to loans virtually all loans are corporate and individuals use promissory notes," explains Mr Burhan Karacam, general manager at Yapi ve Kredi.

Consumer credit does exist, Mr Karacam points out, but only in the form of installment schemes operated by retailers or wholesalers of consumer durables, who, of course, take both the risk and the profit from it. "We at Yapi ve Kredi see the individual as a major target which the banking system has so far not served adequately," he says.

Few individual customers would dispute this. In the typical Turkish bank branch, it takes about half an hour to cash even a traveller's cheque. Money transmission services are extremely limited, and though a cheque clearing system exists, in practice it is little used. Cashing a cheque in Turkey requires taking the cheque to a branch of the issuing bank, waiting for it to be cleared by telephone (paying heavily over the odds for doing so), and collecting payment minus a small handling fee.

The plastic cards business is even more hair raising. In Turkey, the word "credit" in credit card refers to something customers give the bank rather than get from it.

Tourism has stimulated innovation in retail financial services. Smaller banks, eager to scoop up the foreign exchange, have often responded more swiftly than the big banks

Both American Express and Visa cards can be obtained from banks and there are fairly wide networks of retail outlets for all four major plastic card brands, including Diners, which was first into the Turkish market. However, the cost to ordinary Turks is prohibitive. Prestige customers may get a card at a concessionary rate. Less exalted customers who want to use their Amex travel and entertainment card or Visa card abroad, should expect to have to make a deposit of $5,000 for it and pay a card fee of around £60 a year.

This situation reflects the broader realities of the Turkish economy. The Turkish consumer market very roughly divides into three segments: a relatively small number of families with regular access to international financial services; an urban middle class in Istanbul, Ankara, and Izmir and a few other towns totalling between 2m–3m with largely western consumerist aspirations and some income to support them; and the hinterland population which lacks either the income and/or western consumer inclinations. This last group is, however, a large population – more than 50m – and like so many other things in Turkey, potentially a very exciting market some day.

Yapi ve Kredi rapidly encountered this segmentation when it began applying credit-scoring techniques for its personal loans. "We found that different criteria had to be used for people in Anatolia from those we used in the three large cities," says Mr Karacam, adding that the rejection rate has been as low as 25–30 per cent.

Housing finance is largely confined to institutions such as Turkiye Emlak Bankasi, a state bank which supervises mortgages, co-operatives, and housing developments, and is currently in the midst of an administrative upheaval.

It has been holding talks with major European mortgage lenders to see if some of their techniques can be applied to Turkish conditions. Another is the Public Participations Fund which finances housing projects and has a special arrangement with Pamukbank through which TL210bn of housing loans have been issued. The emphasis is usually on contributing funds to purchase a newly completed flat rather than on long-term lending secured against an existing property.

The pressure for innovation in retail financial services has come from tourism. Boutiques have opened in resorts which cash travellers cheques swiftly. Small trade finance banks, such as Iktisat, eager to scoop up the foreign exchange, have often moved more swiftly than the big banks.

Credit card activity is also growing, largely as a result of tourism. Mr Orhan Demirdag, general manager of Anadolu Kredi Karti Turizm ve Ticaret, a non-bank organisation which markets Eurocard, MasterCard, and Visa products in Turkey, says that merchant foreign exchange earnings from plastic cards rose from $34m in 1987 to around $55m this year. But the total number of Turkish cardholders of all four major brand names is only about 50,000, with 20,000 of them using Diners Club.

Merchant discounts – the commission paid by a retail outlet to the card-issuer – vary between 6 per cent and 3 per cent, though one or two privileged institutions, the biggest hotels in Istanbul, for instance, have managed to negotiate a zero discount for themselves, something retailers in most other countries would relish.

High unit costs limit the scope of Turkey's banks for fully adopting the plastic card revolution. There are more than 10 Turkish members of Visa, for instance, but the cost of producing a single Visa card can be as high as $5, the cost of a smart card in Europe. ATMs cost about $50,000 and upwards, far more than the salaries of the staff they displace.

Even with Eurocheques there are difficulties, largely caused by Turkey's inflationary environment. Commission is too low to offset the depreciation of the Turkish lira against foreign currencies between the remittance date and the cashing date. There is, therefore, no full Eurocheque issuing bank in Turkey.

Yapi ve Kredi is undeterred by these problems. It is believed to be spending around TL40bn on developing its electronic banking services, a large amount by Turkish standards. With the domestic cardholder base now seemingly set to grow rapidly in the big cities, Yapi ve Kredi would appear to be backing a winner, even if the risks involved look considerable.

Profile: **Akbank**

Leader of the pack

AKBANK ranks as Turkey's fourth largest bank by capital size and third by the size of its deposits. But for simple profitability it has no equal. In 1987 it made pre-tax profits of TL 187.2bn (£93m). That was a record year for Akbank. So was 1986 and this year will, almost certainly, follow suit.

It is success mainly achieved through old fashioned thoroughness rather than flashy modern methods. Akbank is very much a family bank, owned by the Sabanci group and piloted by Mr Erol Sabanci, one of seven brothers, who run the group. He serves as the bank's deputy chairman and managing director. The board is headed by Mr Naim Talu, a former prime minister and ex-governor of the Central Bank.

Founded in 1948, Akbank now has 611 branches (the fourth largest network) and just under 9,000 staff.

This month the bank plans to double its capital to TL500bn (£166m), which will bring it abreast of Ziraat, the country's largest bank. In discussing Akbank, it is difficult not to judge it by comparisons with the large state-owned or semi-state-owned banks.

Akbank is well ahead of its nearest private sector rival, Yapi ve Kredi, and the sustained profitability of the past few years has enabled it to grow to a point where it begins to approach the state-owned giants in Ankara, something which would have been hard to imagine a decade ago.

The bank's success has not been achieved by a policy of radical innovation. Akbank has generally come much later into the market than its rivals with such Turkish banking fads of the 1980s as computerisation, electronic money transmission, and independent auditing. Its policy in each case seems to have been to wait and see whether a new development was making money for its rivals or not before going ahead with it.

That seems to be Akbank's strategy with the consumer banking innovations being planned by Yapi ve Kredi, its chief rival among the Istanbul private sector banks. "Consumer banking cannot really exist in Turkey yet," Mr Sabanci says.

Akbank's high street services do not stand out from those of its major rivals and it has invested less than its competitors have in high profile advertising. Yet it has steadily built up its current account deposit base, while constantly keeping its commercial customers under scrutiny.

The bank's operations are run from its headquarters in Istanbul, in a building finished in the 1950s and much less eye-catching than the headquarters of most of the other banks. A few minutes further down the road is the headquarters of the Sabanci Group.

Akbank has always been vigilant in defending its rights and watching where its money goes. Two years ago it led a group of Turkish private sector banks which went to court to press an ailing state sector bank in Istanbul to pay up its debts and temporarily secured an order for the sequestration of some of its property.

This October, it shocked public opinion when interest rates soared and a run on the banks threatened by refusing to allow time deposit holders to break their deposits. After a day it had to relent and allow them to switch into higher rates.

Earlier in the year, Akbank had been unhappy at the government's decision to increase rates on current accounts, indeed there were those who believed that the decision was targetted chiefly at Akbank.

However, Mr Sabanci fiercely disputes many of the claims often heard about Akbank among its rivals. One of the most prevalent is that the bank's profits come from handling business from the rest of the Sabanci Group. "We stick to the legal ceiling for inter-group lending," Mr Sabanci says.

"I recently checked with Lassa (the tyre-making company in the group) and they told me that they had loans of about TL188m (£62,000) but deposits of TL2.8bn (£938,000). So there was a big excess in favour of the bank."

Another criticism which Mr Sabanci is inclined to dispel is the belief that Akbank makes its money not from banking but by investing in Treasury bonds which have a guaranteed tax-free return.

"As of November 9 we had TL556bn in Treasury Bonds, compared to total deposits of TL1.8 trillion. About TL532bn of the bonds was legally required of us. We are working hard on a loan portfolio of TL2 trillion (£660m)," he says.

Out of that – by Turkish banking standards very large – loan portfolio, Akbank claims to have had only TL13.5bn of bad debts in 1987, of which TL10bn was covered by provisions. Its fortunes in the turbulent economic environment of Turkey in the 1980s have been made possible by a tight control over the branch network and an equally tight relationship with its long-standing customers.

For many years the bank declined to have outside auditors, largely because it believed that its own internal auditing was as rigid as could be devised. Following a change in the law, its 1987 accounts were audited by Price Waterhouse.

Outside Turkey Akbank maintains seven representative offices in Germany, and one each in London, New York, and Rotterdam.

However, rather than expand the range of its own operations, it has set up two subsidiaries which seem to perform the role that might have been expected of its international department.

In London there is Akbank International, wholly owned by the Sabanci brothers and their group, and operating as a British bank. Akbank International reported pre-tax profits of £945,000 on a balance sheet of £179m for the six months ending in June.

Three years ago Mr Sabanci decided to set up another subsidiary, a joint venture with BNP of France, this time based in Istanbul. It has tapped the lucrative trade finance market and proved to be highly profit

This summer it notched up a further first in Turkish banking history when Dresdner Bank of Germany decided to take a stake. This is the first time that a German bank has gone beyond a representative office presence in the Turkish market.

Characteristically, Akbank International in London is not run by a Turkish national but by an Englishmen whom the Sabancis head-hunted for the position. "Ownership of a bank is not important," says Mr Sabanci. "What is important is to supply good management according to the rules."

David Barchard

PRIVATISATION

Best yet to come

TURKEY'S PRIVATISATION programme will soon come up for its fifth birthday. So far the tangible results have been few. There have been no major UK-style flotations and those state-owned enterprises which have been transferred to private ownership have been small and peripheral: animal feed plants, and government shares in a few corporations.

During 1988, however, the pace has finally begun to quicken. Early in the year the government sold its stake in Teletas, a joint venture between the Turkish Post Office and ITT. Recently it has been completing the sale of Ansan, a Coca Cola bottling plant, Usas (an airport services company) and cement plants belong to Citosan (the state Cement and Ceramics Corporation).

"These are just training exercises," says Mr Cengiz Israfil, head of the privatisation programme at the Public Participations Fund. "We are now moving on to the real operation, the privatisation of Sumerbank and Petkim."

Sumerbank and Petkim are conglomerates specialising mainly in textiles and petrochemicals respectively and they are among Turkey's largest industrial enterprises. It was thus considered both surprising and bold when ownership of both corporations was formally transferred to the Public Participations Fund last year, the legal prerequisite to selling them off to the private sector.

The two corporations now head a list of 45 industrial companies in which the government's stake has been handed over to the PPF. They span a diverse range of activities from cement, tourism, supermarkets, fertilisers, electricity, motor vehicles, agricultural chemicals, and liquid gas. One note worthy point is that in virtually every case, these are activities which are not state-owned in the tradition of the mixed economy of the 1950s and 1960s in Europe.

Turkey has yet to approach the point when it can consider selling off the national airline, the telecommunications system, the state petroleum company, or the airports authority. That day may come, but as yet it is far in the future.

There are several reasons why privatisation has gone slowly in Turkey. The state owned more than 55 per cent of industry (and a very much higher percentage of industry outside the developed Istanbul/Marmara region). Managerial and accounting standards were extremely low. For instance, one of the most plausible-looking candidates for privatisation, Turban, the hotel chain, did not even have an overall balance sheet for its activities.

Local expertise and the administrative infrastructure for a privatisation operation did not exist in 1983 when Mr Turgut Ozal became prime minister for the first time. Because most of Turkey's state enterprises had been set up by the government, their legal and administrative structure bore little relation to that of a private sector company and their articles of association tended to stress non-commercial goals.

To pilot its way through this shoal of obstacles, the Turkish government commissioned a series of consultancy reports on different sectors, as well as an overall Privatisation Masterplan, from foreign advisers. It also brought in two notable Turkish expatriates, Professor Bulent Gultekin of the Public Finance Department at Wharton University in the US, and Mr Cengiz Israfil from J P Morgan, the US banking group, to the Public Participations Fund.

The government recently appointed a group headed by Midland Montague to advise it on the Petkim privatisation operation and it is currently studying seven proposals from merchant banks to handle the Sumerbank deal.

"We have now come a long way," says Professor Gultekin at the Ankara headquarters of the PPF, which are, ironically, located in the former main offices of a large Turkish private sector bank which had to be bailed out by the government early in 1987.

He says that the privatisation operation now entails "a search for partners." However, the first step will be to package the different parts of the two corporations into saleable entities. Petkim, which consists mainly of two large petrochemical plants near Istanbul and Izmir, should be relatively easy from this point of view (though there is also an aircraft tyre-making subsidiary hundreds of miles away in a fairly remote corner of central Anatolia to dispose of).

Sumerbank is a much more diverse conglomerate, of which several parts (including its real estate holdings) will be spun off from the main business. It also includes 465 department stores and the advisory group when selected will have to decide on whether to go for vertical or horizontal integration of the corporation's operations.

Who will buy it? From the beginning there were serious doubts about the feasibility of a stock market flotation in Turkey. The collapse of the Istanbul Stock Exchange in the last year and the unhappy experience of the sale of the government's stake in Teletas (where shares quickly fell below the price investors originally paid for them) rule out any idea of a flotation now.

Instead the government appears to be thinking of selling enterprises direct to the private sector. The more digestible items on the sale list, such as Turban, could probably be sold outright to a particular individual or corporation. The larger enterprises, particularly Petkim and Sumerbank, would probably have to go to consortiums with a foreign element.

Mr Gultekin says: "I don't anticipate that we can sell all these companies on the Istanbul Stock Exchange, but it is desireable to try and expand share ownership. A foreign minority stake is quite possible, or perhaps even a substantial share."

Meanwhile, Mr Gultekin is concentrating on making Petkim and Sumerbank "more market oriented and more competitive than in the past, and better managed too."

An incentive scheme for salesmen has been introduced at Petkim, something which Mr Gultekin says is "unheard of" in Turkey, constraints on management are being eased and political pressures are being removed.

"We did have a slow start," admits Mr Gultekin, "but we are now moving along stage by stage now, regardless of both market conditions and political conditions. And my sincere believe is that Turkey offers a bargain for foreign investors."

David Barchard

Stock and money markets

Brave words from the exchange

MR MUHARREM KARSLI, chairman of the Istanbul Stock Exchange, is hopeful.

"Until about a month ago, the stock exchange was falling more or less continuously since February. But the last few weeks have seen the trend reversed. The recovery has begun. I can't say I am bullish but I am optimistic."

These are brave words. On November 17, the Istanbul Stock Exchange Index stood at 409. A month earlier it had been at 362.

In November last year, when the downward slide, which began later in Turkey than in other European countries, had not got fully under way the index was around 550, having spent the summer well above the 1,000 mark.

This year the highest the index has reached is 857. It went below 600 when the first set of economic austerity measures was announced in February and plunged below 400 when bank interest rates were hiked to around 85 per cent in October.

Measured by the volume of daily transactions the picture looks equally bleak. Daily volumes of shares traded were between TL1.5bn and TL2.5bn in the second half of last year. On November 17, the volume traded was just TL399m (£133,000), though this figure seems to have been above the average for the period between September and November which is put by Mr Karsli at about TL250m daily.

The secondary capital markets in Turkey are at a low ebb. Most share activity has consisted of rights issues by companies annually forced by hyperinflation to broaden their capital base.

These issues are attractive because shareholders buy at nominal rather than real values.

The cost of the shares in the new issue is often deducted from dividend payments, making the process even more painless for shareholders.

Many new investors, including a few institutional ones venturing into the market during the 1987 boom, have had their fingers badly burned.

Turkinvest, an offshoot of AOG Oceanic of the US, has changed hands with AOG reducing its stake to 10 per cent and the remaining 90 per cent going for an undisclosed price to two foreign individuals, according to Mr Niko Maksimiyadis, the investment company's former general manager who has now joined the state-owned Emlak Bankasi.

"I don't think anything will happen on the stock markets here too rapidly," he says.

Those who, like Mr Karsli, are more hopeful about the short term, pin their hopes on a new $60m Turkey Fund for foreign investors being organised by the Treasury and due for launching on the New York Stock Exchange early in 1989.

The fund is being underwritten by the International Finance Corporation, the hard loan arm of the World Bank, with Salomon Brothers and Morgan Stanley expected to act as international advisers, and Turk Merchant Bank, a newly-founded joint venture between Turkiye Is Bankasi and Bankers Trust, acting as local consultant.

Investments in the fund will be resellable by foreigners, though the fund's own capital will have to stay in Turkey for 25 years.

An investment of this size, if it really happens, would have enormous repercussions on the local market.

Whose shares would it buy? There are two obvious sets of candidates: shares in the major Turkish groups which are not at present traded on the market and perhaps the shares of some of the state economic enterprises up for privatisation, notably Petkim and Sumerbank.

Not everyone is sure that times are ripe to launch such a relatively ambitious venture. Major industrial groups are notoriously reluctant to allow more than 20 or 30 per cent of their shares to be traded on the stock market, and they would almost certainly find many of the disciplines which go with a stock market unpalatable, for instance the publication of independently audited annual results.

It is only this year that embryonic interim figures have begun to appear to give investors a clue about the performance of the companies in which they are putting their money.

A more serious disincentive for foreign investors is Turkey's inflation.

"From the moment you put capital into the country and it goes into Turkish lira, it starts to melt away rapidly whatever you do," says a foreign banker.

"Of course your profits may outstrip your capital especially if you are in banking or some other highly profitable sector, but you always know that within a few years, you will have to sustain your original investment by a fresh injection of capital in hard currency. Otherwise it will eventually disappear."

Despite this, there have been several applications from foreign banks to set up small investment funds of around $1m, though the Treasury appears to prefer setting up a large investment fund modelled on precedents from South East Asia.

In Ankara, Professor Sukru Tekbas, newly appointed head of the Capital Markets Board, the state watchdog for securities and investments, points to a more fundamental problem. "Because of the high public sector deficit and the need to borrow internally which it creates, more than 90 per cent of Turkey's money markets consist of government paper," he says.

"The share of the private sector in the money markets has fallen from just under 20 per cent in 1983, to between 8 per cent and 10 per cent over the past three years," Professor Tekbas adds.

Treasury bonds have the additional merit of usually being set above inflation, though this autumn rates have been below the prevailing rate of inflation and the new interest rates on one year bank deposits. Plans are now afoot to launch floating rate bonds.

Professor Tekbas is hesitant about the role foreign investors can play in reviving Turkey's investment markets.

"They should certainly come here and help raise the level of activity," he says. "But you cannot build a financial system chiefly on outside resources."

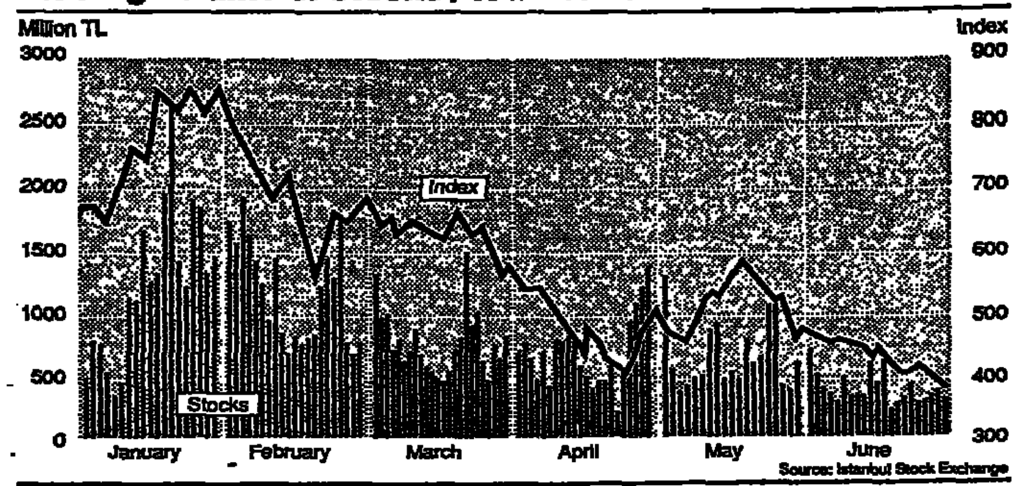
He sees the restoration of economic stability and the return of confidence to the markets as the essential preliminary to reviving Turkey's money markets. These, of course, are sentiments widely expressed by others.

With inflation expected to touch 100 per cent by the year end, and unlikely to fall below 50 per cent in 1989, it may take several years of stern fiscal and budgetary policies before Turkey creates a more hopeful investment climate.

And despite the rhetoric, it is not yet fully clear whether the political will to do this exists.

David Barchard

Trading volume of stocks / Istanbul SE index



Source: Istanbul Stock Exchange

Primary Market Volumes (TLbn)

	1983	1984	1985	1986	1987	1988
Private sector	48.8	55.0	130.1	236.1	700.4	471.9*
Shares	34.1	42.9	96.0	100.0	184.7	280.9
Corporate Bonds	14.7	12.1	33.3	75.1	338.0	103.2
Profit/loss share certificates			0.5	0.8	0.7	
Bank bills				60.2	76.2	6.0
Finance bills					55.8	33.8
Mutual fund participation certificates				45.0	48.0	
Public sector	284.0	733.0	2,030.6	3,277.3	6,659.7	3,809.8#
T-bills	78.0	495.0	1,217.6	1,787.9	3,954.5	2,523.0
Government bonds	206.0	228.0	673.0	1,269.4	2,045.2	1,286.8
Revenue sharing certificates		10.0	140.0	220.0	660.0	
% Share of private sector instruments in primary markets	.1466	.0698	.0602	.0717	.0952	.1102

* first eight months
# first six months

Source: Istanbul Stock Exchange

هكذا من الأصل

EXIMBANK

Slow start for new pillar of export drive

LITTLE BY little, the new Export Import Bank founded last year from the former State Investment Bank is beginning to broaden the range of its services to Turkish exporters. In the long-run the new Eximbank is designed to act as a major pillar of support to the export drive.

Its general manager, Mr Turgay Ozkan, is another of the young, US-trained financial brains recruited to overhaul the state banking sector in recent years. After 10 years studying and teaching at Massachusetts Institute of Technology in the US, he was taken on by the World Bank as one of the 25 "young professionals" it hires every year from about 5,000 applicants.

In the long-run the Eximbank aims be a major pillar of support for Turkey's export drive

He worked on Turkey and Mexico, but was head-hunted in 1987 to work as an adviser to Mr Turgut Ozal, the Prime Minister, and Mr Kaya Erdem, the Deputy Prime Minister. Later he worked for Mr Ozal and his brother, Mr Yusuf Bozkurt Ozal, State Minister for the Economy, before being appointed to preside over the establishment of Eximbank.

Eximbank's first service was introduced in April, a re-discount facility limited to companies with annual exports totalling more than $100m, effectively the 20 or so foreign trade capital companies through which the government is trying to emulate the success of the big trading houses in Japan and South Korea.

The re-discount facility was followed by a service tailored for all sizes of trading companies. This provides Eximbank funding to commercial banks for on-lending as post-shipment credits to exporters.

To date, TL400bn ($300m) has been extended through both services, Mr Ozkan says. This might increase to TL2 trillion ($800m), including credit cover for buyers and sellers, in 1989. To fund its operations, Eximbank may be required to borrow between $300m and $400m externally next year.

"We are very close to starting an export credit insurance programme," Mr Ozkan says.

The insurance will cover both political and commercial risk, and Eximbank will draw up a country rating system. Since the weight of the insurance cover will be for short-term credits, it is not expected to disturb other OECD export credit agencies within the Consensus rating system.

Under the present export tax rebate incentive system, which is due to be phased out by the end of 1988, the amount paid out in rebates in 1987 totalled TL500bn. The figure for 1988 is likely to total TL560bn. Together with discounting mechanisms offered by the central bank, this means that the state subsidy to exporters totals about TL600bn a year.

Obviously, the subsidy element of the export credit services come nowhere near this level and some exporters have complained bitterly that the new Eximbank facilities give only a fraction of the support enjoyed under the old regime of tax rebate incentives.

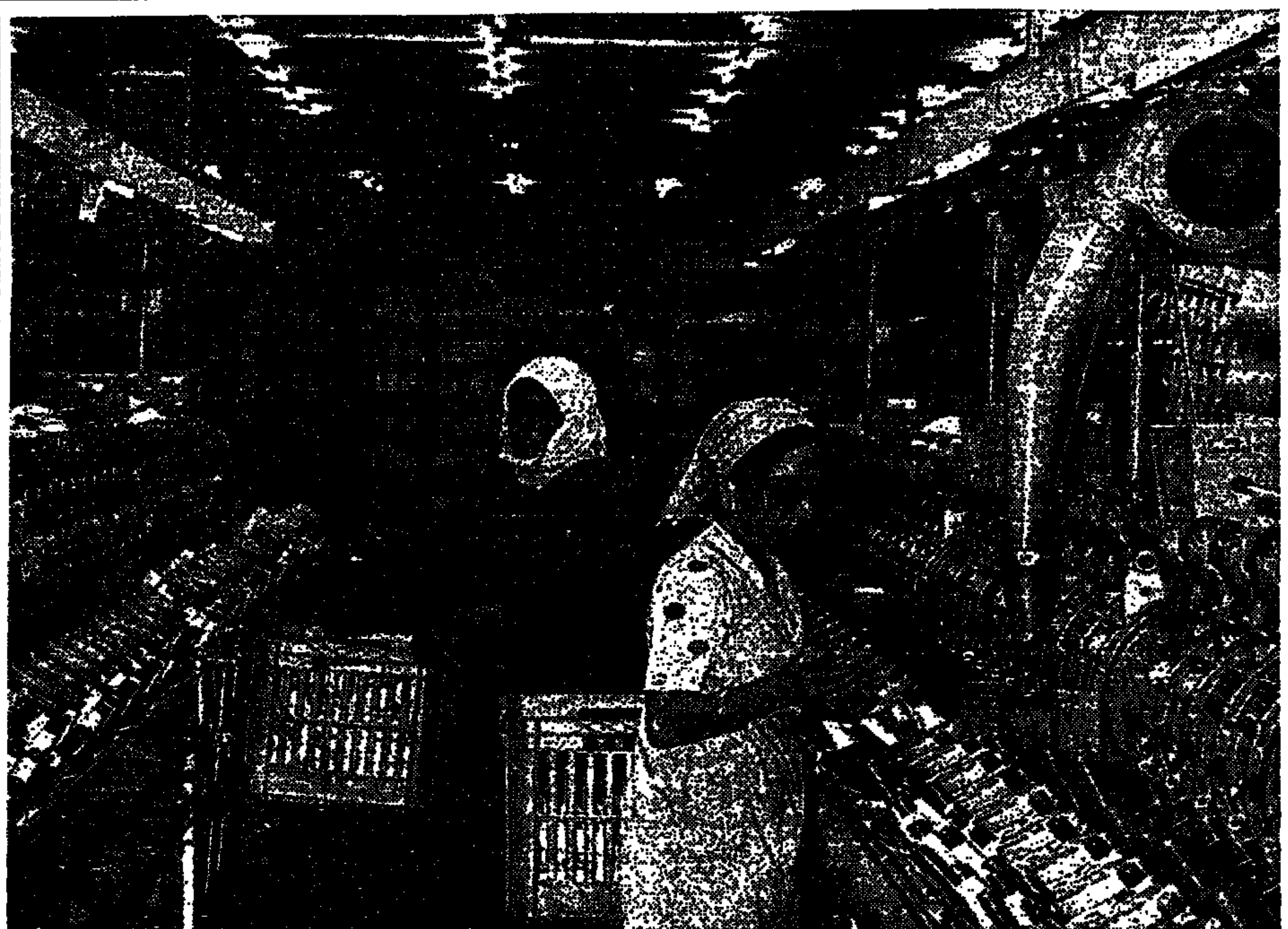
Even when Eximbank is fully functional as envisaged, its support will not amount to much more than between 20-25 per cent of what was on offer through the rebate system.

Mr Ozkan admits it might have been better to establish the Eximbank before Turkey signed the GATT subsidy code a couple of years ago. However, the pressures on the government left it with no alternative, he says.

Despite this, Mr Ozkan clearly does not intend to be rushed into hasty institution building. In assembling his management team, he has married the best from within the old State Investment Bank with outside recruits from the OECD and from the private sector.

To advise on Eximbank's evolution, Mr Ozkan has turned to senior and retired experts in other OECD export credit insurance agencies. "To be honest, it will take three years to establish a fully-fledged Eximbank," he says.

Jim Bodgener



Terry Kirk

Textile plant at Kosuyolu, near Istanbul. EC industrialists are already demanding a squeeze on cheap Turkish textile imports

Truck and tractor transmission factory at Polatli

Profile: **Sabanci Holdings**

A cause for Turkish delight

FOR BRIDGESTONE, the Japanese tyre maker, the deal was smallfry when compared with its recently announced $2.6bn takeover of Firestone of the US. And even for Sabanci Holdings, the Turkish group with interests in banking, textiles, plastics, food, cement and electronics, the numbers looked small when set against its consolidated 1987 turnover of $3.7bn.

But to Mr Sakip Sabanci, chairman of the Turkish conglomerate, the joint venture with Bridgestone which was unveiled in July was a significant milestone in the evolution both of his group, and of Turkey.

Bridgestone is paying $60m for half Sabanci's 72 per cent stake in Lassa, creating Bridgestone Sabanci Tire Manufacturing and Trading, or Britsa. The intention is to double output and market tyres in the Middle East and Africa.

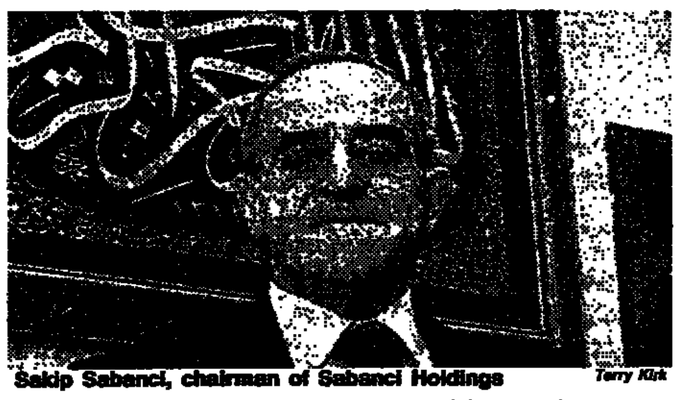
Mr Sabanci, a bright-eyed, elfin figure whose jutting chin and folksy manner are familiar up and down Turkey, sums up the deal's significance very simply: "Why is Japan coming here? The Japanese believe in Sabanci, the Japanese believe in Turkey."

In other words, foreign corporations who are world leaders in their sector are now prepared to sink equity as well as know-how into Turkish industry; and they are sufficiently convinced of the country's long-term stability to use it as a springboard from which to penetrate other markets.

During the "terrorism and anarchy" which preceded the 1980 military takeover, Mr Sabanci recalls, it was impossible to persuade foreign companies to put capital into Turkish manufacturing.

Just as the group's corporate literature lays great stress on the humble origins of the late founder Mr Haci Omer Sabanci (who walked 300 miles at the age of 14 to find employment as a cotton worker), his son Sakip, now 55, is fond of allusions to his youth to underline the distance Turkey has travelled.

"Ships used to call at Mersin (the southern port) with imported needles and buttons ... there was no industry," he recalls. So the first task was light industry aimed at import substitution; then larger factories with know-how bought off-the-shelf, or manufacturing under licence; then "the new face of Turkey" — joint ventures allowing the Turkish partner full access to foreign technology and marketing skills.



Sakip Sabanci, chairman of Sabanci Holdings Terry Kirk

Of the Sabanci group's myriad activities (last year its various units turned out 50m metres of finished fabric, 2.7m tonnes of cement, and one-third of Turkey's margarine), it is the creation of a vertical, export-oriented tyre industry that seems uppermost in the chairman's mind.

In staccato but effective bursts of English, mixing homely metaphors with business jargon, Mr Sabanci (whose four brothers also occupy senior posts in the group) presents the process as a steady, careful, brick-by-brick affair.

When he first tried to export the output of Lassa, the tyre-making unit he set up in 1974, "people told me not to, they said tyres are dominated by big companies with good research and development." When he tried to promote the Lassa trademark, "they said, how do you spell *that*?"

He bought tyre production know—how from B F Goodrich, and tyre cord-making skills for his Cordsa unit from Goodyear, won 40 per cent of the domestic tyre market, and exported "first to nearby countries, then to Europe, then to the US".

Last year, he established two 50-50 partnerships with foreign companies to manufacture raw material for tyres: Dusa, with Dupont de Nemours of the US, makes industrial yarn, and Beksa, with Bekaert of Belgium turns out steel cord. The advent of the Japanese completed the picture.

Mr Sabanci's formidable financial and industrial muscle (and indeed the charitable work of his family's Vaksa foundation, which is funding medical, educational and cultural projects to the tune of $7m this year) have invested him with great prestige as a commentator on public affairs.

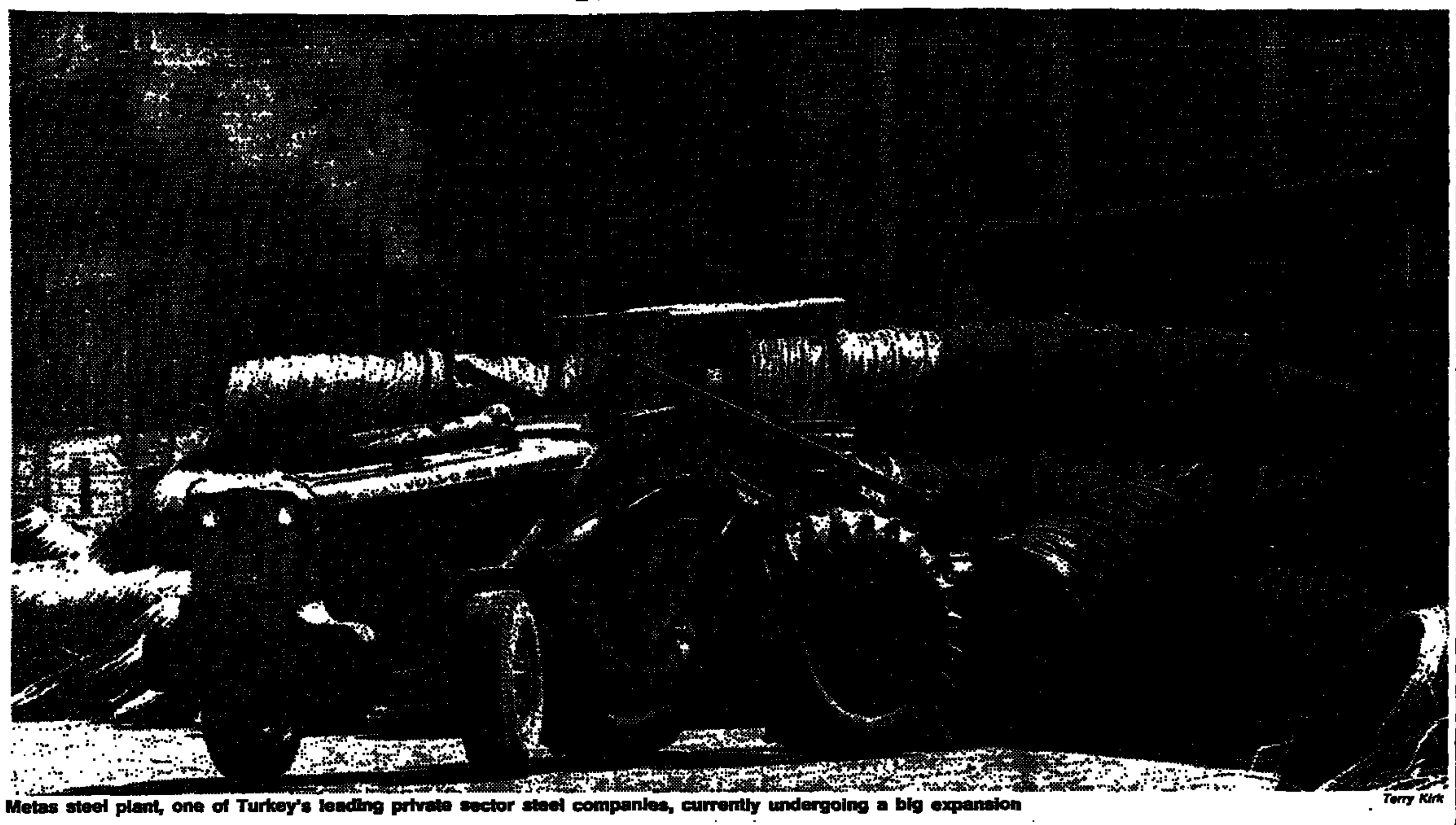
And for the record, he is not unduly pessimistic about the economic problems — inflation, high interest rates, enormous inequality — that currently beset Turkey. They are much less serious, he says, than the difficulties which used to confront manufacturers in the bad old days of the 1970s: hard-currency shortages, energy shortages, price controls.

As for poverty, he argues, that problem is not confined to Turkey. "As I was going to the White House (to meet President Reagan), I saw people sleeping in the street."

Mr Sabanci, whose public image alternates between that of "iron fist" and genial, benevolent father figure, is also gifted with the kind of disingenuous charm that can get away with name-dropping.

Bruce Clark

Regional industry



Metas steel plant, one of Turkey's leading private sector steel companies, currently undergoing a big expansion

Terry Kirk

Private sector's family fortunes

The dominating position of family-owned companies augurs well for the further expansion of Turkey's private sector

IN THE north-west Anatolian hinterland of Istanbul, private sector industry is steadily expanding in urban centres like Bursa and Eskisehir, in spite of the prevailing adverse economic climate.

Its growth has been fostered not only by large Istanbul-based conglomerates, but independently in the Turkish fashion by leading business families rooted in the towns and cities.

Their dominating position in local chambers of industry and commerce imparts a sturdy parochialism to local industry which even penetrates the local subsidiaries of national holding companies. This augurs well for the growth of middle tier companies which Turkey will need in the next stage of expansion of its private sector.

Eskisehir, with a population of 376,000, is on the southern perimeter of the north-western industrial belt. On a flat plain surrounded by low snow-clad mountains, it owes its existence as much to being an agricultural as well as an industrial centre. Although an ancient city, its industry is a relatively recent addition, reaching significant proportions only in the early 1970s through the establishment of an industrial estate as part of the government's then import-substitution programme.

Two companies, Zeytinoglu Holding and Arcelik, illustrate how Eskisehir's industry has benefitted from investment from within and outside the town; there is little foreign capital.

Zeytinoglu is owned by a family which started business in the town about 80 years ago. The company grew with the town's own industrial base as it expanded from being a centre for locomotive repair workshops founded during the Ottoman times, to being the centre, in the early years of the republic, of the country's largest sugar refinery.

The railway repair workshops eventually became locomotive assembly lines and later, in the 1930s, came a repair and overhaul complex for the Turkish air force. The Eskisehir airbase has become the biggest in the country, and its hangars and jet engine workshops are the town's largest employer.

There are now about 30 substantial factories in Eskisehir, most established in the industrial zone, with products ranging from biscuits to textiles. Out of town on the Bursa road are several large sanitary tile and sanitaryware factories.

Compared with Istanbul, investment costs in Eskisehir are much lower, particularly land prices. For the price of a site in Istanbul, it is possible to buy a site and build a factory in Eskisehir, says a company executive. The authorities in Eskisehir also offer generous business incentives.

Zeytinoglu moved from farming in the 1920s to trading, trucking and petrol stations, and then, with other investors, put money into the construction of a cement factory in the early 1950s. After the founder's two sons completed their engineering studies in the 1970s, Zeytinoglu established a concrete products factory, a grey iron plant, a machinery factory, plus two trading concerns.

Finally, in common with many other growing family-owned groups, Zeytinoglu set up a bank, Eskisehir Bank, now known as Esbank. With 35 branches, it ranks as a medium-size institution in the Turkish banking sector. The management has been moved to Istanbul where it specialises in foreign trade finance.

In 1987 Arcelik had a turnover of $350m, 60 per cent of which was produced by its two plants alongside each other in the Eskisehir industrial estate, the largest making refrigerators, and the other compressors for installation in the refrigerators.

So far, the downturn in demand for consumer goods has yet to curb production at Arcelik's Eskisehir plants, where the company plans to increase its refrigerator capacity from 500,000 to 900,000 in two stages. The first stage, in which output will be expanded to 700,000 units, should be completed by the end of the year. The plants employ about 1,700 blue and white collar workers between them, and aim to be labour intensive wherever they can, except where quality demands a high degree of automation.

Despite high shipping and duty costs, the company's low labour overheads enable it to compete with exports to the North American market where the quality of its products match US and Canadian counterparts, says a senior plant official.

Bursa, the old capital of the Ottoman Empire before it moved to Istanbul in 1453, is double the size of Eskisehir, and clearly more affluent, with branches of the large foreign trade banks lining its main street.

Since the Middle Ages it has been an important commercial and industrial centre, largely because of its position on the main Europe-Asia trade routes. Today the city's two pillars of industry are textiles and cars.

The city's recent industrial expansion again owes much to official encouragement through the establishment by the local chamber of industry of an industrial estate in the 1960s. USAID was one of the financial backers.

With the seas and the winter sports centre of Uludag only 18 miles away, Bursa is also a growing tourist destination with much to offer besides its own rich past.

Once again in Bursa, the same dichotomy between local family industry and outside investment can be identified, though on a grander scale than in Eskisehir. The Sonmez dynasty is without doubt the leading entrepreneurial family of the city, owning Sonmez Holding, the subsidiaries of which have a combined turnover of about $150m.

Just down the road from its headquarters and plant complex are the assembly lines of car manufacturer Tofas. Major shareholders in Tofas include Italy's Fiat with 41 per cent, with Turkey's Koc Holding and the state-owned Machinery and Chemicals Industry (MKEK) each with 28 per cent. It is reputedly the largest private sector industrial company in Turkey.

Sonmez Holding was started in 1970 by Mr Ali Osman Sonmez, a merchant who rose to riches in the 1960s, with a polyester filament factory. A second polyester cloth factory followed later in the 1970s, followed by a move into cotton manufacturing in the 1980s. Today textiles form 95 per cent of the group's turnover. Its exports last year amounted to about $53m and this year's target is $100m.

Like other wholly family-owned concerns – mainly first or second generation in Turkey's short industrial history – Sonmez Holding has no intention yet of a floatation of part of its equity. Nor, again for reasons of control, does Sonmez plan to move out of Bursa if it expands, says Mr Celal Sonmez, deputy chairman of the company, and the only son of the founder.

At Tofas, the company is openly negotiating with the government for MKEK's shares to be sold to the public as part of the privatisation programme. Title to the shares has already been transferred to the Mass Housing and Public Participation Fund in preparation for the move.

Tofas itself is in the process of a major expansion. By February it will have increased its production capacity of Fiat-based models from 40,000 to about 75,000. Last year it had already stretched output to 54,000 by maximum use of shifts to meet strong demand.

Tofas cars – which have a 94 per cent local content – have been market leaders for some time. The company has been caught temporarily short in 1988, with the decline in demand brought about by the government's austerity policies, admits Mr Franco Grimme, the plant manager. Buyers, who earlier bought cars as a hedge against inflation, are now selling their vehicles and putting the money into real interest deposit accounts.

However, Mr Grimme is confident demand will swing back in the medium – term when Tofas will be poised to capitalise further on its dominating market position.

Jim Bodgener

International Finance Corporation

Big lender in an uncertain market

DESPITE THE doldrums in the capital markets, one organisation which has become much more active over the past two years is the World Bank's commercial lending affiliate, the International Finance Corporation (IFC).

Paradoxically, while the stock market was booming in early 1987, the IFC's activity in the fiscal year to the end of June 1987 was fairly low.

However, in its 1988 fiscal year, it committed a total of $130m to nine projects in Turkey, and in the following July participated in a $60m deal with Iktisat Bankasi.

Yet as Mr Reynaldo Ortiz, the IFC's permanent Turkey representative points out, the IFC is unlike other commercial project funding institutions in that within limits it does not adhere to a country quota on the number of projects it backs, although if its exposure approached about $500m, it might look more closely at lending the next $100m.

In Turkey, the IFC generally gets involved in large projects. If funding for smaller schemes is to come from the the International Bank for Reconstruction and Development (IBRD) it will usually be channelled through lines of credit extended by the World Bank to institutions like the state industrial development bank, Turkiye Sinai Kalkinma Bankasi.

Long – term funds for investment projects are not so easy to come by in Turkey at present, Mr Ortiz says.

As a result companies forced to rely instead on short-term funding get into trouble when banks refuse to roll-over loans. "When they look for long-term lending, we are one of the few institutions they can turn to," Mr Ortiz says.

However, like other foreign capital investors in the currently uncertain circumstances, the IFC prefers to put its money into expansions of existing concerns rather than greenfield developments, because of greater pay-offs and shorter gestation periods. Given Turkey's soaring inflation and high interest rates, the five years it would take from inception to start-up for a wholly new development would be far too long in exposure terms.

The nearest the IFC is considering to a greenfield project in manufacturing is a textile scheme which is, in effect, an extension of an industrial group's existing operations. The project is geared to the government's decentralisation incentives to encourage companies to relocate away from industrial conurbations.

Mr Ortiz believes Turkey's short-term economic outlook is worrying. However, the current climate could create the opportunities for the IFC to restructure sound businesses suffering from temporary cash-flow difficulties. A new departure for the IFC is to actively seek such openings, rather than wait for companies to seek its assistance.

One area of greenfield development in which the IFC is keenly involved is tourism, which looks set to flourish over the next few years. In 1987, the IFC financed approximately 15 per cent of the construction of new capacity.

Now it is considering working on a packaging concept rather than ad hoc investment in individual projects; holding back on proposals until it is in a position to select three or four in which to inject about $10m each.

For the IFC, Turkish tourism projects have to be environmentally sound. If there is even a hint of ecological danger, it backs out.

The IFC may also be able to play a role in the government's novel build-operate-transfer (BOT) method of franchising the construction of major projects, Mr Ortiz says.

Its special attributes here would be in project appraisal, the ability to come up with funds and the assurance of its presence to other prospective investors.

Merchant banking in the private sector may prove another new area of activity for the IFC in Turkey, in line with its global expansion into securities operations. Privatisation fits hand in glove with the IFC's overall objectives.

However, progress in this direction has been hampered in Turkey – as has the privatisation programme itself – by the stagnation in the capital markets.

More generally, the IFC may adopt a merchant banking role in Turkey by going out to structure a project, and then join with other banks to underwrite it. If the conditions were right, it might also actively seek companies in need of restructuring.

Jim Bodgener

Profile: Meptas

An ill wind in the Aegean

AN OFFICE on the Izmir seafront, overlooking the Aegean, is an appropriate enough place to contemplate the Turkish economy's striking success in reorienting itself towards foreign markets over the past five years. But this winter, the waters are looking a bit more wine-dark than usual.

For foreign trade companies like Meptas, which have so far fulfilled their designated role as the spearhead of a Turkish export drive, the coming year will bring major tests of their ability to ride out a sea-change in business conditions.

The Government, mindful of its obligations to the GATT, is to phase out by the start of next year a system of cash payments for exporters (the OECD calls them "so-called tax rebates") which in 1987 amounted to 5 per cent of export value.

In compensation, large Turkish trading houses are being offered soft export credits from the newly established Eximbank: these are expected to be available at a rate of around 40 per cent, compared with market lending rates that recently moved into three figures.

But there is uncertainty about how the new arrangements will work, and that is one reason for the caution shown by Mr Mustafa Somersan, the Meptas general manager, as he projects the group's export totals: around $160m next year, compared with an estimated $152m in 1988 and $145m in 1987.

Performance in 1987 was badly disrupted by the virtual freeze on new exports to Iraq, a top customer, which the Government, dubious of Baghdad's credit-worthiness, imposed in mid-year.

"It would have been alright if we had warning ... but we were left with goods ready for Iraq," Mr Somersan complains.

But he professes impatience with the alarm bells that are being sounded by Turkish exporters – "We should be getting out of our problems, not crying on each other's shoulders" – and his latest contacts with the Eximbank have reassured him about the new export credit system. "They have a number of things in mind, and I was satisfied by the methods they explained."

Yet the Iraqi bottleneck is not his only complaint. Although Meptas' export activity far outweighs its involvement in imports (of which it handled $58m last year), Mr Somersan feels the authorities have overdone the devaluation of the Turkish lira. Import content in Turkish industry is now so high that a sliding lira is by no means a straight benefit to exporters, he believes.

When Meptas is looked at in isolation, the profit margins are small and its capitalisation is infinitesimal. The 1987 results show pre-tax profits of TL1.8bn on sales of TL216bn, with registered capital of only TL500m. Profits are expected to fall to TL1.5bn this year, reflecting the problems with Iraq.

But it is probably an artificial exercise to look at Meptas separately from the Ege Yatirim industrial group to which it belongs: the conglomerate also includes steelmaker Metas, the construction company Betontas, Satmas the processor of agricultural and leather goods, and Demas, which makes and instals power transmission equipment.

With the backing of a major industrial group, Meptas should be better placed than other specialist trading houses to get through the coming hurdles.

Bruce Clark

FREE ZONES

The way forward

FREE ZONES, mooted in Turkey since the early decades of this century, have finally become a reality.

On the eastern Mediterranean coast at Mersin, the first of four free zones have been operational since March this year with seven companies already trading. By the end of next year, the Zone Administration Authority expects that there will be 60 users. Another free trade zone at Antalya has also got under way.

The completion of the zones has symbolic as well as practical significance. There has been talk of setting up free zones since the early decades of this century and some of the enabling legislation for them actually dates back to the 1920s.

But for many decades the bureaucracy, especially the powerful Ministry of Customs, fought a determined action against them, viewing them as likely springboards for foreign penetration of the economy.

For several years after Prime Minister Turgut Ozal launched his original economic reform programme in 1980, the civil service successfully resisted the introduction of the zones. It took the personal intervention of President Kenan Evren after a visit to the Far East in the autumn of 1982 to ensure that the zones would go ahead.

The project was entrusted to the State Planning Organisation, a department of the Prime Minister's Office, in Ankara. A Turkish Free Zones Administration was set up and has been headed by Mr Yalcin Alaybeyoglu for the past four years.

Six years later, Turkey has four free trade zone projects, aimed at markets in the Middle East and the Mediterranean. These are:

■ Mersin, a trade zone of 130,000 square metres. It has port and rail links and was officially opened in 1985, though trading only got going this year.

Mersin is one of the traditional entrepot towns for Turkish exports, especially cotton and textiles, and the free zone is intended to handle industrial goods and some agricultural exports. Setting up the zone cost TL15bn ($15m) over several years, and work is by no means yet fully complete.

The Mersin zone is operated by Mesbas, a company set up by the government with 156 private shareholders who together have a 66 per cent controlling stake in it. Infrastructure, including rail, sea, and road access, has been provided by the goverment.

■ Antalya, another Mediterranean port city, is a 410,000 square metre zone specialising in construction machinery and high value equipment. Because it lies in the middle of Turkey's main tourist coastline, it is subject to various environmental controls not imposed elsewhere, including a ban on high chimneys and non-electrical power sources.

Mersin and Antalya are to be followed by two much larger zones where the emphasis will be on industrial as well as trade operations.

■ Izmir, situated several miles inland on Turkey's Aegean coast, will be entirely operated by a private sector consortium, yet to be announced. The government hopes to start renting out sites before the end of this year.

■ Yumurtalik is another industrial zone expected to be operated by Bechtel Construction of the US on a build–own operate (BOT) basis. The government hopes that it will develop into an industrial centre in a part of the country which is already one of the most economically advanced regions.

Turkey has gone to considerable lengths to make the zones as attractive as it can to foreign concerns. Companies rent land for 20 years at an initial price of $2 per square metre, increased this year to $2.3.

All their operations are tax exempt, and the only other charges are 0.5 per cent on imports CIF, and 0.5 per cent on exports, FOB, which will go into the free zones' development fund.

Turkish exporters operating through the zones will be exempt form the 0.5 per cent charge. Goods can be imported into Turkey at normal customs tariff rates. To guarantee business security still further, the government has outlawed strikes and lockouts for 10 years in the zones.

Many local people seem to believe this will create a trading bonanza for Turkey. No fewer than 74,000 families from the Kurdish-speaking areas in the south-east of the country have migrated to the Mersin area hoping for work in the zones.

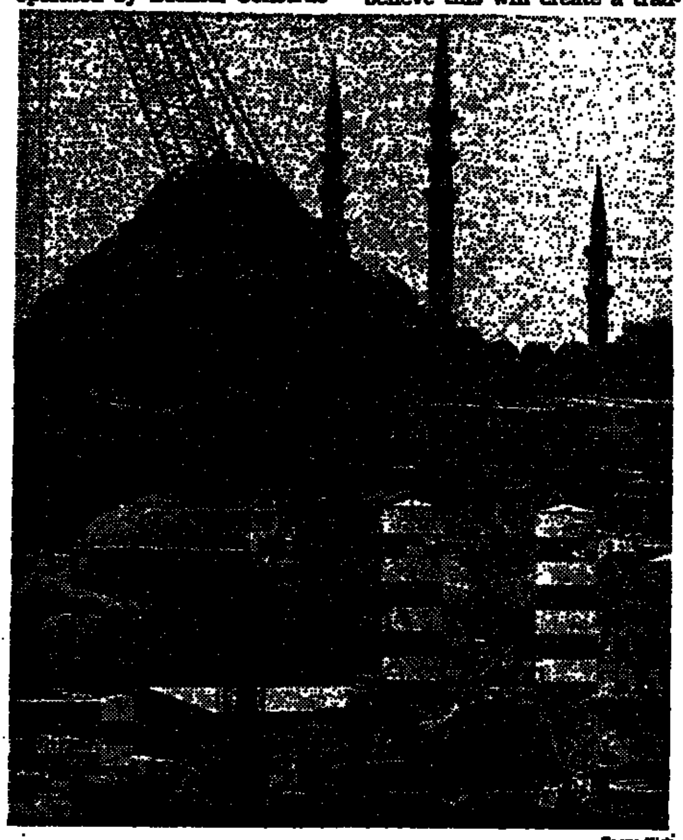
The government has built 40,000 additional housing units to cope with them. The local people of Mersin, not surprisingly, are in two minds about this influx. More welcome is the Mersin Hilton and other facilities going up for foreign businessmen using the zone.

Early foreign companies to move into the site include Federal Mogul of Jacksonville Alabama, US, and the Harima Heavy Industry Company of Japan which has set up a 31,000 square metre steel production plant.

What is not yet clear is whether the zones will actually become major industrial and trade centres for the region. There has been only a limited marketing exercise by the Turkish authorities to attract business from abroad.

However, if Turkey's existing industrial zones, on which the free zones are clearly modelled, are any precedent, once the zones are fully operational they are likely to grow steadily over the next decade.

David Barchard



Terry Kirk

Changing times: construction of the new Galata bridge, Istanbul

Trades Unions

Firmly under wraps

THE LABOUR provisions of Turkey's 1982 constitution, which effectively circumscribe the right of trades unions to organise and strike, still remain intact and are unlikely to change in the near future.

Despite this anomaly, Turkey yet again managed to escape a ticking off from the International Labour Organisation at the ILO's annual conference in Geneva, in June.

In the first nine months after the military seized power in 1980, more than 1.3m working days were lost in strikes that were more often than not politically motivated.

The Government of Mr Turgut Ozal is quick to point this out when questioned on its record of trades union rights.

But rising inflation and an average minimum take home pay of TL80,000 (£25) are leading to growing discontent among workers reflected by an increasing number of strikes.

The number of strikes started to rise in 1986 and reached a record level last year with nearly 2m working days lost – the highest since collective bargaining was instituted in 1963.

More than 12,000 workers in six different sectors are presently on strike. Newsprint workers at the Seka paper mills are now in their third month of daily industrial action. The company's daily losses at the plant are about TL1.5bn. Labour sources point to even greater discontent among the 580,000 public sector workers.

There is growing pressure on Truk-Is, Turkey's largest trades union centre, to call for a general strike, action which is expressly forbidden by the present laws.

Major union leaders have declared that if Turk-Is fails to "fulfil its duties" they will organise a general strike themselves.

Present labour laws make it very difficult to resort to industrial action and strikes; in sectors such as banking, education and health care such action is banned outright. Politically motivated strikes, wildcat strikes and sit-ins are also illegal. Workers who participate in such strikes can be sacked without compensation

"Recent changes in the draft labour law, while helping to keep Turkey off the ILO blacklist, are still far from bringing us close to ILO standards," says Mr Sevket Yilmaz, president of Turk-Is. Faced with such conditions, Turk-Is has had a tough time trying to improve the lot of its 1.85m strong members.

"We want greater rights for unions and there has been no progress towards that end in the life of this parliament," Mr Yilmaz says.

Among the union's major grievances are government restrictions on who is permitted to be a union leader. In order to be able to run for office, candidates must have worked in a branch of the union for a minium of 10 years.

And to be entitled to represent workers unions must have at least 10 per cent membership within a work sector and 51 per cent at a particular work place (The ILO strongly opposes this condition but Turk-Is privately condones it as it prevents rival trade union confederations, the fundamentalist Hak-Is and the right-wing Met-Is, from becoming stronger.)

Union attempts to persuade Prime Minister Turgut Ozal to use his parliamentary majority to make constitutional changes have so far proved ineffective.

In fact, with only 2m members organised out of a total workforce of 17m, and given the restrictive legal framework within which they have to operate, Turkish trade unions lack the political clout to exert any serious impact on the government.

A further blow could come with the the proposed privatisation of State Economic Enterprises (See) which employ more than 650,000 Turk-Is affiliated workers.

The government has been buying out workers' union contracts and replacing them with individual contracts – a strategy devised to facilitate the sale of the SEEs.

Against this background the major challenge for the Turkish labour movement lies in adjusting to the country's new liberal economic climate. While Mr Ozal will continue to call the shots, the best that the unions can hope for is that he succeeds in reducing inflation.

Amberin Zaman

TUSIAD

A powerful lobby

The honeymoon between Prime Minister Turgut Ozal and the business sector is over.

That was the conclusion of a recent poll conducted by the private sector's most powerful lobby group, the Turkish Industrialists' and Businessmen's Association (Tusiad).

More than 90 per cent of respondents said they were disappointed with the government's efforts to curb inflation. Tusiad chairman Omer Dinckok hammered out the group's major concerns in a recent speech to leading figures from business and industry.

"Economic balances are being disrupted; Turkey is spending far beyond her available resources; inflation has increased to such an extent that we are inhaling it along with the pollution," he said.

With more than 200 members, Tusiad is the most effective independent business lobby in Turkey.

The influence it wields was strongly manifested in the 1970s when it launched a vociferous press campaign against the economic policies of the former Social Democratic Prime Minister, Mr Bulent Ecevit, a campaign which considerably dented his credibility.

"We had no dialogue with the government during those years," says Mr Dinckok, who, at the age of 40, is Tusiad's youngest ever chairman and heir apparent to the Akkok group of companies, the third largest conglomerate in Turkey after Koc Holding and Sabanci.

Mr Dinckok, who says that the business community's relations with the government of Mr Ozal have been closer than with any previous administration, likens his relations with Mr Ozal to "a marriage where both partners have the right to disagree".

The major sources of disagreement are the prohibitively high rates of interest and inflation. Before 1980, big business had enjoyed cheap credits and, with the heavy controls on imports, a virtual monopoly of the domestic market.

With the cost of borrowing running at between 130-140 per cent, industrialists are increasingly reluctant to press ahead with new investments.

Omer Dinckok, chairman of the lobby group, Tusiad

Runaway inflation has also significantly forced up production costs. "Available statistics for 1987 and the first two quarters of 1988 show that private sector investments have slackened," Mr Dinckok says.

Many industrialists complain that Mr Ozal has favoured certain groups in the private sector, such as exporters and construction companies, at the expense of others.

"The government has undertaken vast infrastructure projects, it has built roads and brought electricity to the villages, and there's no denying that this is in the interests of the country," Mr Dinckok says. But Mr Dinckok believes it is now time for the government to accord higher priority to investments in the productive sectors and to cut down on domestic spending and borrowing, a view shared by many fellow Tusiad members.

In an obvious snub to the government, Tusiad has, over the past three months, invited Mr Suleyman Demirel, leader of the True Path Party (DYP), and Mr Deniz Baykal, the pragmatic secretary general of the Social Democratic Populist Party (SHP), to speak at seminars.

Addressing an audience of the converted, both espoused the theme that the Ozal government had neglected industrialisation in favour of trade and exports and infrastructure development.

Despite these misgivings, the business sector still sees Mr Ozal as the best leader for Turkey.

Amberin Zaman

TOURIST INVESTMENT

Terry Kirk

Ephesus, a Roman ruin near Izmir in west Turkey, is a major tourist attraction. Tourism is one of the fastest growing sectors in the national economy

Bright spot on the landscape

TOURISM IN Turkey is booming, compared with sluggish activity elsewhere in the economy. Turkish investors are investing enthusiastically in an industry with high short-term returns, and where fixed capital costs can be amortised in about seven years.

The attraction of tourism to Turkish entrepreneurs is that its revenue streams are almost entirely in foreign exchange. That protects them from domestic inflation of about 80 per cent, and the 50 per cent depreciation in the value of the lira since January. It also gives them an assured repayment capacity with which to borrow from abroad at relatively low interest rates; domestic ratesof interest have soared to about 140 per cent.

The State Planning Organisation estimates that fixed capital investments in tourism in value terms will double this year to TL850bn compared with the level in 1987. This contrasts with an overall expected increase of 79 per cent to TL2.4 trillion in fixed capital investments in the economy.

In tourism, private sector investment is expected to increase by 148 per cent to TL600bn compared with a 38 per cent jump in investment in the public sector.

Between 1985 and 1987 the number of beds licensed by the Culture and Tourism Ministry increased by 40 per cent to 120,250, an indication of the rapid pace of development in the sector. This year the increase is expected to be at least as much and probably more than the 30.4 per cent expansion in 1987.

The main local source of funds is the state-owned Turizm Bankasi, which generally provides at least 40 per cent of the costs of any one project it supports. These range from properties with up to seven bedrooms to projects valued at more than $100 million.

Originally the bank had three functions: developing the Turban chain of resorts; operating them; and lending funds to the industry. Recently it has concentrated on the latter.

The Turban chain, which has a reputation for good, reasonably-priced service, is to be sold off to the private sector soon as part of the government's privatisation programme.

Between the start of 1985, and the end of the third quarter of 1988, the bank loaned TL769bn towards 792 projects involving 66,170 beds. However, senior officials of the bank readily admit that it cannot keep pace with the seemingly insatiable need for investment capital in the sector.

Several leading entrepreneurs have successfully sought funds overseas, particularly from the International Financing Corporation (IFC), which according to its own estimates funded about 15 per cent of officially approved new constructions in 1987. But while leading tour operators have been prepared to take on a management exposure, few have felt safe enough to actually invest in bricks and mortar.

At the same time, given the possible returns of around 15 per cent a year from completed tourism schemes, there is very little incentive to look for a major equity partnership from abroad, says Mr Berhan Silahtaroglu of Silkar Holding.

By 1995, he expects to have increased the company's bed capacity by 400 per cent to 7,180 compared with the level in 1987. His operator, West Germany's Robinson Hotels, has only a 5 per cent stake in the fixed assets of any project.

One unfortunate result of the rapacious demand has been the proliferation of unplanned ugly developments in some areas. The only solution in such situations, says a developer, may be to demolish the premises and rebuild.

Concentrated overdevelopment in Aegean resorts like Bodrum and Marmara is the bane of Turkish tourism and threatens to give the country a bad name among Mediterranean sun-seekers.

Some developers have already over-reached themselves by building luxurious all-inclusive resorts; the average tourist coming to Turkey appears to want and expect only comfortable, cheap accommodation of a three or four star standard.

Critics complaining to the Culture and Tourism Ministry about the ecological effects of this rapid construction activity have not found the authorities wanting. The ministry has demonstrated considerable sensitivity to such demands. In the celebrated Dalyan turtles affair, for example, it agreed to restrict a large hotel development by a beach which was one of the last nesting places of endangered carretta carretta sea turtles; the decision has cost the ministry an estimated $30m in lost income a year.

A new directorate for environmental protection zones directly responsible to the Prime Minister was also established early in November, although some fear this may further confuse bureaucratic lines of responsibility.

Jim Bodgener

Tips for the business traveller

Room with a view and much besides

TRAVEL, communications and accommodation facilities have improved radically since the return to civilian government five years ago.

To meet soaring demand from business and tourism, the number of hotels in the main centres of Istanbul and Ankara has proliferated rapidly, particularly in the former.

Most places, apart from the most remote in the east – where few business people venture – are served or are in reach of airports with at least one flight a day by state-owned Turk Hava Yollari (THY).

The massive investment in telecommunications during the two administrations of Prime Minister Turgut Ozal has also resulted in fairly swift international connections.

Most senior Turkish officials and business people speak English or French, so ability to speak Turkish is not a necessity, although it may be advisable to have a sympathetic Turkish speaker at one's side during negotiations.

■ Istanbul: The city's Ataturk International Airport is served by a wide variety of international airlines, and is the main link point for onward internal flights.

Processing through the international terminal is fairly quick, although transit co-ordination could be better.

This may be solved when a major terminal extension project associated with a planned world trade centre nearby is built. But generally be prepared to put up with the ways of petty officialdom.

Though the number of hotels in Istanbul has increased significantly over the past four or five years, the best are still the Hilton (tel:1314646) and the Sheraton (tel:1312121).

Beneath these is a raft of good establishments led by the Divan (tel:1314100) and Etap Marmara (tel:1514650). All are in the central Taksim district.

Further but not too far afield are the Pera Palas (for faded but restored opulence, tel:1514560), the nearby Etap Istanbul (tel:1514650), and across the Golden Horn, the new Ramada, a fine rehabilitation and conversion of old Ottoman alms houses (tel:5139300).

Around Taksim Square there are a plethora of smaller hotels, among which the Riva (tel:1564420), is reasonable and fairly efficient.

Restaurants abound. Recommended are the restaurant of the Divan, Parc Samdan, Pandelli's in Spice Market, and, if only for the ambience, the Yeni Rejans off Istiklal Caddessi. The restored Cicek Pasaji (Flower Passage) off Istiklal Caddesi can be fun, if sanitised from its previous rumbustious bedlam. And there are any number of fish restaurants in places like Arnavutkoy along the Bosporus from which to watch ships glide by in the night.

■ Ankara: THY recently introduced a shuttle service between the capital and Istanbul.

The number of foreign airlines flying to Ankara's Esenboga international airport is also finally increasing. British Airways, for example, started a direct service to Ankara via Istanbul in June.

Another more leisurely way to travel between Ankara andIstanbul is overnight on the Blue Train, although when arriving or departing from Istanbul, time must be allowed for crossing the Bosporus.

Istanbul's chronic congestion has got noticeably worse over the past two years, despite the opening of the second Bosporus bridge earlier this year. The very hardy can catch one of numerous 'red-eye' overnight buses, but this is not advisable.

In the capital, the government-owned Buyuk Ankara (tel:1256655) has now been superseded as the premier hotel by the new Hilton (tel:1682886); the Hilton looks set to takeover from the Etap Altinel (tel: 2317760) as the favoured negotiators' haunt.

Up the hill, the Best (tel:1681122) continues to provide its justly-renowned homely but prompt service.

A more limited number of restaurants is on offer in Ankara than in Istanbul, but the food is as good if not sometimes better.

Business and diplomatic favourites are the RV, the Rihtim, the Washington, La Boheme, Sominne, Yahya, and among hotel restaurants, the Japanese at the Etap Altinel.

Downmarket is the Korfez in Kizilay, while for something different a little way along the same street, there is the fish restaurant Iskele, patronised by raki-imbibing, jocular bureaucrats.

Out of town by Lake Golbasi, Chez La Belge serves up delicious fresh water crayfish.

Jim Bodgener

MEDIA

A delicate balancing act

IT IS Friday evening at Istanbul's Ataturk International Airport. Crowds stir excitedly as they do anywhere when a major television personality is around.

Dressed in a cape, and surrounded by aides, Mr Mehmet Ali Birand, the country's best known foreign correspondent, strides through customs on a trip home for a few days.

He is back in Turkey to make the latest edition of The Thirty Second Day, by general agreement Turkish television's best current affairs programme, which he founded and presents.

The Thirty Second Day enjoys the discreet approval of the government. It is a little difficult to explain therefore why another reason Mr Birand stops off regularly in Turkey is to attend the latest hearings of his trial in a mixed military-civilian State Security Court for a newspaper interview with a Kurdish terrorist leader in Syria last June. If convicted, he faces a possible sentence of up to 15 years' hard labour.

Politics, prison, power, and business are hopelessly jumbled up in Turkish media. The 1980s have seen the confusion growing.

While political pressures have remained intense, a new consumerism has emerged to soften the fierce radicalism of educated younger Turks and the westernised middle class. If publishers strike the right formula, they can make a fortune. Get things wrong, and they will end up in an interminable court case and perhaps in prison.

Two men who have got the formula generally right are Mr Ercan Arikli and Mr Adil Ozkol, respectively owner and publisher of Nokta, a weekly news magazine which is the flagship of Gelisim Publications. Nokta, which has a circulation of about 50,000, has probably set the main trends in Turkish journalism in the 1980s.

"We assume our readers have some higher education and are open to new ideas," Mr Ozkol says. "They tend to live in the three largest cities." Nokta made profits of TL500m last year and expects to double the figure this year.

Its target audience is vaguely radical in outlook, follows the cinema and television as much as politics, and has a strong interest in home electronics, fashion, and consumer goods.

"We are not leftist in the old sense," Mr Ozkol says. "But we do want to break down the taboos in Turkish society."

Nokta's efforts, such as printing a cardboard cut-out doll of former President Kenan Evren with the caption "You dress it up as a soldier, or a democrat, or a Soviet Commissar, just as you see fit", have pushed forward the frontiers of expression in Turkey.

A year or two back, such expression would certainly have meant a long spell in prison, but Nokta was fairly nonchalant about its effect today, though there is always a long term risk of retrospective prosecution, if the country has another coup.

Breaking the taboos does bring commercial rewards. When Nokta first raised the topic of torture in February 1986, its circulation jumped to an all time record of 120,000. Today torture tends to be relegated to news in brief items on inside pages ("Amnesty International reports 17 dead from torture in Turkey last year", ran one inside page story earlier this year.)

Nokta's cut-out doll was imitating a series of innocuous promotions which have pushed Milliyet, an Istanbul daily paper, temporarily ahead of all its rivals. "There is considerable instability in the Turkish press," says Mr Altan Oymen, general co-ordinator at Milliyet.

"I think it reflects firstly the small total circulation of the press in this country, less than 3m papers per day in a country of 55m, and secondly the political instability. Turkey has changed since 1980 but a lot of people are not yet sure about the direction of the change."

Mr Oymen points out that the challenge is most acute in television.

"People can now by-pass the Turkish system altogether by using satellite dishes and many are doing so," he says. "I think we should set up some sort of private sector television here."

However, television impinges directly on the lives of all 55m Turks and so is politically even more sensitive than the press. Since 1971, television has been tightly controlled with the news merely a state information service, ignoring political discussion and sensitive domestic issues. International news is well covered.

Outside news hours (Turkish television news bulletins seldom last less than half an hour) there tends to be a battle for TV time between imported rock concerts and US comedy shows, favoured by liberals even though they have a doubtful following in Turkish society, and extensive Islamic religious programmes demanded by rural viewers and traditionalists.

This autumn, the leading verklarte (liberal) member of the Cabinet, Mr Adnan Kahveci appointed Mr Cem Duna, to head Turkish Radio and Television, and Mr Nuri Colakoglu, a left-wing journalist who fled Turkey after that 1980 coup, as his deputy. A row within the Motherland Party followed with its right-wing factions baying for the heads of all three men.

Mr Kahveci believes that expansion of television services, including educational ones, will enable Turkey to make the "cultural revolution" needed to join the European Community as a full member. He is studying possible link-ups between Turkey and satellite TV channels such as CNN.

Many Turkish editors are more worried about what the short-term may hold. "The trends are disturbing," says Ms Emine Usakligil, managing editor of Cumhuriyet, the country's only quality daily with 120,000 readers and a reputation a bit like that of Le Monde in France.

Cumhuriyet has a regular two or three court cases, with the shadow of prison or fines, to contend with. But Ms Usakligil fears more the squeeze on advertising revenue caused by television at a time when the press has had to make continuing investments in new technology to survive. She fears that a number of papers are likely to go under.

David Barchard